



Opera Finance (Lakeside) plc

(incorporated with limited liability in England and Wales with registration number 5153959)

£550,000,000 Commercial Mortgage Backed Floating Rate Notes due 2013

Opera Finance (Lakeside) plc (the **Issuer**) will issue the £470,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2013 (the **Class A Notes**), the £62,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2013 (the **Class B Notes**) and the £18,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2013 (the **Class C Notes** and, together with the Class A Notes and the Class B Notes, the **Notes**) on 13 August 2004 (or such later date as the Issuer may agree with the Arranger and the Managers (each as defined below) (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 Class A Notes, the Class B Notes and the Class C 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 (%)	Anticipated Ratings		
			Fitch	Moody's	S&P
Class A	£470,000,000	0.25	AAA	Aaa	AAA
Class B	£62,000,000	0.47	AA	–	AA
Class C	£18,000,000	0.68	A	–	A+

Interest on the Notes will be payable quarterly in arrear in pounds sterling on 31 January, 30 April, 31 July and 31 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 October 2004. 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 two month sterling deposits) (**LIBOR**, as further defined in **Condition 5.3**) 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 July 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**), 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.

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 (each, a **Permanent Global Note**), without interest coupons attached, not earlier than 40 days after the Closing Date (provided that certification of 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.

EUROHYPO INVESTMENT BANKING

Arranger

CITIGROUP
Joint Bookrunner

MORGAN STANLEY
Joint Bookrunner

HSBC
Co-Manager

The Royal Bank of Scotland
Co-Manager

The date of this Offering Circular is 10 August 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, EUROHYPO AKTIENGESELLSCHAFT (**EUROHYPO**) (IN ANY CAPACITY), BY THE MANAGERS, THE SERVICER, THE SPECIAL SERVICER, THE TRUSTEE, THE CORPORATE SERVICES PROVIDER, THE SHARE TRUSTEE, THE PAYING AGENTS, THE AGENT BANK, THE LIQUIDITY BANK OR THE ACCOUNT BANK 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.

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, Eurohypo (in any capacity), the Managers, the Servicer, the Special Servicer, the 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 advisors. 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 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. Save for obligations of Eurohypo in its capacity as Servicer, Eurohypo expressly does not undertake to review the Issuer Term Loan or the Property during the life of the Notes or to advise any investor in the Notes of any information coming to its attention.

Neither this Offering Circular nor any other information supplied in connection with the Notes should be considered as a recommendation by Eurohypo or any of the Managers 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 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 Managers or any of them to subscribe for or purchase any of the Notes.

All references in this document to **sterling**, **pounds** or **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, Citigroup Global Markets Limited or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on Citigroup Global Markets Limited or any of its agents to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

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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 Noteholders 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.

Executive Summary

On the Closing Date, Eurohypo (as Loan Facility Agent, Loan Arranger and Initial Junior Lender) and the Issuer (as Initial Term Lender) will enter into a term loan and revolving credit facility with CSC Lakeside Limited (the **Borrower**) pursuant to the terms of a credit agreement to be dated on or before the Closing Date (the **Credit Agreement**).

Under the Credit Agreement, two separate facilities will be made available to the Borrower. The first of these will be a term loan facility (the **Term Facility**) and the second will be a revolving credit facility (the **Revolving Credit Facility**).

On the Closing Date, the Issuer (in its capacity as Initial Term Lender) will make a term advance of £550,000,000 (the **Term Advance**) to the Borrower under the Term Facility. The principal amount of that term advance outstanding from time to time is referred to as the **Issuer Term Loan** and, together with any other advances outstanding under the Term Facility, the **Term Loans**. The principal amounts of advances outstanding under the Revolving Credit Facility are referred to as the **Junior Loans**. The Term Loans and the Junior Loans are together referred to as the **Loans**.

Under the terms of the Credit Agreement, the Borrower will be entitled to convert, pursuant to the term out option, the Revolving Credit Facility into a term loan facility upon notice to the Loan Facility Agent, whereupon the Borrower will repay each Junior Loan in full on the conversion date and be able to reborrow an amount up to the total available Revolving Credit Facility commitment amount as a term loan (any such loans granted, the **Term-out Loans**). In addition, if the term-out option has not been exercised, the Borrower may request a single extension of the term date for the Revolving Credit Facility to a date not more than 364 days after the then current term date or to a date falling three months prior to the Loan Maturity Date.

The Issuer will fund the making of the Term Advance to the Borrower by utilising the proceeds of the issue of the Notes.

The Issuer will use receipts of principal and interest in respect of the Issuer Term 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.

The Borrower will grant a first priority mortgage over the Property (being the Lakeside Shopping Centre, Thurrock) and certain other security interests (including security over the leases and the rental cashflows together with a floating charge) to Eurohypo (in its capacity as Loan Facility Agent) in order to secure its obligations to the lenders under the Credit Agreement (including the Issuer (as Initial Term Lender, with effect from the Closing Date) and Eurohypo (as Initial Junior Lender)). These security interests are, together with the Related Security, referred to as the **Loan Security**. Eurohypo (in its capacity as Loan Facility Agent) will hold the Loan Security on trust for the Issuer, the other lenders under the Term Facility (together with the Issuer, the **Term Lenders**) and the lenders under the Revolving Credit Facility (the **Junior Lenders**, which expression shall include any Junior Lender that has granted a Term-out Loan pursuant to the term-out option, and together with the Term Lenders, the **Lenders**). Under the terms of an intercreditor agreement to

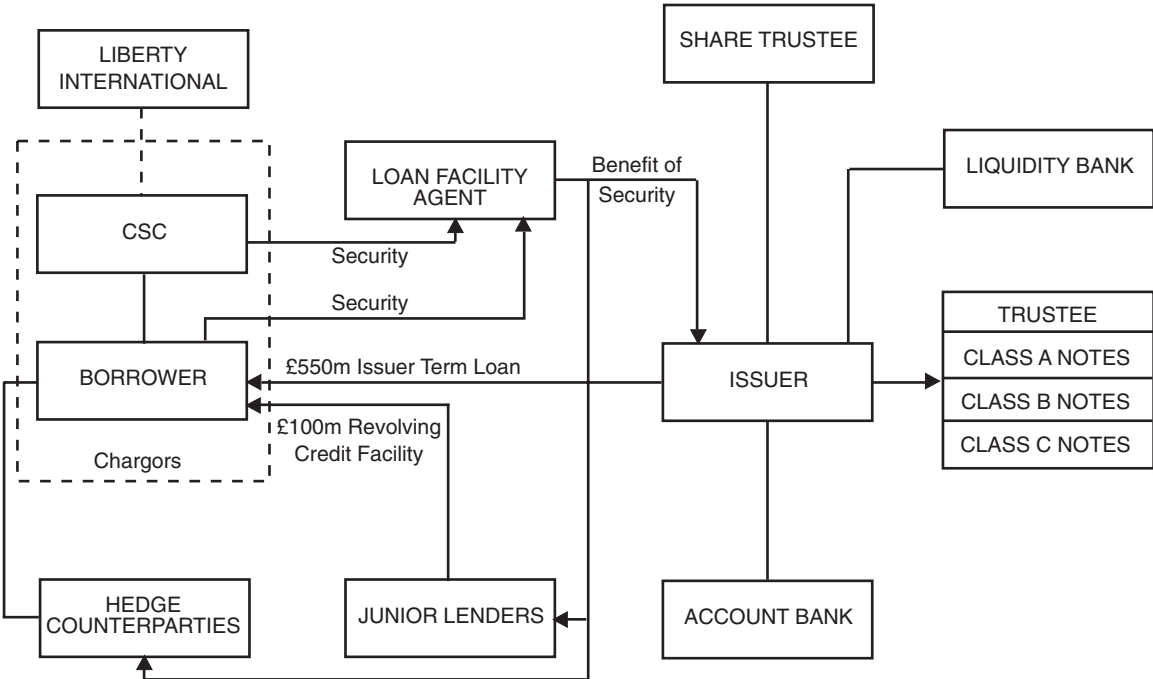
be dated on or before the Closing Date (the **Intercreditor Agreement**), the claims of the Junior Lenders will be subordinated to, among others, those of the Term Lenders.

The Borrower is a special purpose company, whose activities will be limited to ownership and management of the Property and related activities, as further described under “*Credit Structure – 3. The Credit Agreement – Undertakings*” below.

Interest will be payable under the Issuer Term Loan at a floating rate, fixed on each Interest Payment Date, calculated with reference to LIBOR for three month sterling deposits plus a margin. The Borrower has entered into and will be required, under the terms of the Credit Agreement, to maintain (subject to certain limits) hedging arrangements (the **Hedging Arrangements**) with a view to ensuring that it will be able to continue to make payments of interest under the Issuer Term Loan notwithstanding variations in the floating rate of interest payable by it. See further “*Credit Structure – 3. Credit Agreement - Hedging obligations*” below.

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 Issuer Term Loan and the Loan Security) in favour of the Trustee under the Deed of Charge. The Trustee will hold the benefit of this security on trust for itself, the Noteholders and the other Issuer Secured Creditors. The Deed of Charge will determine the priority of the claims of the Issuer Secured Creditors. See further “*Credit Structure – 9. Cashflows*” below.

Structure diagram



Key Transaction Parties

- Issuer:** Opera Finance (Lakeside) plc (the **Issuer**) is a public company incorporated in England and Wales with limited liability. The Issuer's company registration number is 5153959. The entire issued share capital of the Issuer is held by or on behalf of SFM Corporate Services Limited for charitable purposes.
- The Issuer will also act as initial lender under the Term Facility (the **Initial Term Lender**) pursuant to the Credit Agreement.
- Borrower:** CSC Lakeside Limited (the **Borrower**) is a private company incorporated in England and Wales with limited liability. The Borrower's company registration number is 04144192.
- CSC:** The entire issued share capital of the Borrower is held by Capital Shopping Centres PLC (**CSC**). CSC is in turn owned as to 82 per cent. by Liberty International PLC (**Liberty International**) and as to 18 per cent. by Liberty International Financial Services PLC. Liberty International Financial Services plc is ultimately 100% owned by Liberty International.
- CSC will grant a first fixed equitable charge over all of the Borrower's share capital in favour of the Loan Facility Agent pursuant to the Mortgage of Shares.
- Eurohypo:** Eurohypo Aktiengesellschaft, London Branch, whose principal office is at 4th Floor, 90 Long Acre, London WC2E 9RA (**Eurohypo**) will act in various capacities in respect of the transactions described in this Offering Circular. These are:
- (a) as facility agent under the Credit Agreement and trustee of the Loan Security for the Loan Secured Creditors (the **Loan Facility Agent**);
 - (b) as arranger under the Credit Agreement (the **Loan Arranger**);
 - (c) as initial lender under the Revolving Credit Facility (the **Initial Junior Lender**) pursuant to the Credit Agreement;
 - (d) as servicer (the **Servicer**) and special servicer (the **Special Servicer**), on behalf of the Issuer, in respect of the Issuer Term Loan pursuant to the Servicing Agreement; and
 - (e) as arranger in respect of the Notes (the **Bond Arranger**).
- Trustee:** HSBC Trustee (C.I.) Limited, whose principal office is at P.O. Box 88, 1 Grenville Street, St. Helier, Jersey JE4 9PF, (the **Trustee**) will act under the Trust Deed as trustee for the holders of the Notes and under the Deed of Charge as trustee for the Noteholders and the Other Issuer Secured Creditors.

Principal Paying Agent and Agent Bank:	HSBC Bank plc, acting through its office at Level 24, 8 Canada Square, London E14 5HQ, (in this capacity, the Principal Paying Agent and the Agent Bank) will be principal paying agent and agent bank under the Agency Agreement.
Irish Paying Agent:	HSBC Global Investor Services (Ireland) Limited, acting through its office at Europa House, Harcourt Centre, Harcourt Street, Dublin 2, (in its capacity, the Irish Paying Agent) will act as paying agent in Ireland under the Agency Agreement. 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:	HSBC Bank plc, acting through its office at Level 24, 8 Canada Square, Canary Wharf, London E14 5HQ, (in this capacity, the Account Bank) will act as account bank for the Issuer under the Bank Agreement.
Liquidity Bank:	Lloyds TSB Bank plc, acting through its office at 25 Monument Street, London EC3R 8BQ, (in this capacity, the Liquidity Bank) will provide the Liquidity Facility to the Issuer under the Liquidity Facility Agreement.
Corporate Services Provider:	Structured Finance Management Limited (the Corporate Services Provider) will provide certain corporate administration and secretarial services to the Issuer under the Corporate Services Agreement.
Share Trustee:	SFM Corporate Services Limited (the Share Trustee) will hold its interest in the shares of the Issuer on trust for charitable purposes under the terms of a trust deed dated on or before the Closing Date (the Share Trust Deed).
Senior Hedge Counterparties:	Each of Eurohypo, whose principal office is at 4th Floor, 90 Long Acre, London WC2E 9RA; The Royal Bank of Scotland plc, whose principal office is at 135 Bishopsgate, London EC2M 3UR; and HSBC Bank plc, whose principal office is at 8 Canada Square, London E14 5HQ (together in this capacity, the Senior Hedge Counterparties) has entered into an interest rate swap agreement with the Borrower in respect of the Borrower's obligations under the Term Loans. As used herein, Senior Hedge Counterparties includes any other party appointed from time to time pursuant to the Credit Agreement to act as counterparty under the Hedging Arrangements in respect of the Term Loans.

Key characteristics of the Issuer Term Loan

Issuer Term Loan:	The Issuer Term Loan will constitute a full recourse obligation of the Borrower and will be secured by, among other things, a first legal mortgage over the Property and first fixed security over the Borrower's interests in any occupational leases, insurance policies, hedging arrangements, bank accounts and rental cashflows in respect of the Property, together with a floating charge over all its assets.
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- Purpose of Term Advance:** The proceeds of the Term Advance will be applied towards:
- (a) refinancing of the Property; and
 - (b) the general corporate purposes of the Borrower.
- Interest rate:** The Issuer Term Loan will bear interest calculated as the sum of LIBOR (as defined under the Credit Agreement) plus a specified margin.
- Interest payments:** Interest under the Issuer Term Loan will be paid quarterly in arrear on 31 January, 30 April, 31 July and 31 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**).
- Under the terms of the Credit Agreement, the Borrower will be obliged to ensure that sufficient amounts are standing to the credit of the Debt Service Account no later than two Business Days prior to a Loan Interest Payment Date to enable it to meet its obligations under the Credit Agreement.
- Repayment of the Issuer Term Loan:** Unless the Borrower has previously repaid the Issuer Term Loan, it will be required to repay the Issuer Term Loan, in full, on the Interest Payment Date falling in July 2011 (the **Loan Maturity Date**).
- Prior to the Loan Maturity Date, the Borrower will be required, on the Loan Interest Payment Date falling on 31 October 2006 and each Loan Interest Payment Date thereafter, to repay an amount of the Term Loans equal to the following specified percentages of the aggregate Term Loans outstanding:
- (a) if the Loan Interest Payment Date falls on or after 31 October 2006 and on or before 31 July 2008, 0.25 per cent.;
 - (b) if the Loan Interest Payment Date falls after 31 July 2008 and on or before 31 July 2010, 0.5 per cent.; and
 - (c) if the Loan Interest Payment Date falls after 31 July 2010, 0.625 per cent.
- Optional prepayment:** The Borrower will be entitled to prepay the Issuer Term Loan on any Loan Interest Payment Date, in whole or in part (subject to a minimum of £5,000,000 and integral multiples of £5,000,000), upon giving not less than 35 days' prior written notice to the Loan Facility Agent.
- Optional prepayment by the Borrower will be subject to the following prepayment fees:
- (a) if prepayment occurs before the first anniversary of the Closing Date, a fee of 1.00 per cent. of the amount of the Issuer Term Loan prepaid;
 - (b) if prepayment occurs on or after the first anniversary of the Closing Date but on or before the second

anniversary of the Closing Date, a fee of 0.50 per cent. of the amount of the Issuer Term Loan prepaid; and

- (c) if prepayment occurs after the second anniversary of the Closing Date, no prepayment fee will apply.

Prepayment fees will not be payable in circumstances where (i) the Borrower prepays on account of an increase in the Lenders' costs arising out of a change of law or regulation which has been passed onto the Borrower, (ii) the Borrower is obliged to gross up interest payable on the Issuer Term Loan, (iii) it becomes unlawful for a Lender to give effect to any of its obligations under the Credit Agreement and a Lender requests repayment or (iv) there has been a failure of the Loan Facility Agent and the majority Lenders to consent to a change in shareholding of the Borrower as provided for in the Credit Agreement.

Representations and warranties: The representations and warranties to be given by the Borrower under the Credit Agreement, as of the date of the Credit Agreement, the date of drawdown and (subject to certain exceptions) each Loan Interest Payment Date, will include, among other things, warranties as follows:

- (a) due incorporation and authorisation;
- (b) no default under the Credit Agreement (a **Loan Event of Default**) is outstanding or will likely result from the making of the Issuer Term Loan or the Junior Loans;
- (c) legality, validity and enforceability of, among other things, the Credit Agreement and the Borrower Security Agreement;
- (d) ownership and title to the Property, in each case free from any security interests (other than those set out in the Borrower Security Agreement);
- (e) first priority of the Loan Security;
- (f) the absence of material litigation, arbitration or administrative proceedings;
- (g) the truthfulness, accuracy and completeness of all information supplied by the Borrower to the Loan Arranger, the Initial Term Lender and the Loan Facility Agent, among others, in connection with the Credit Agreement and related finance document (the **Finance Documents**) and all information supplied by the Borrower to the Valuer for the purposes of each Valuation; and
- (h) recent historical activities.

Loan Security:

The Borrower will enter into a security agreement with Eurohypo (as Loan Facility Agent) dated on or before the Closing Date (the **Borrower Security Agreement**) under which it will grant security over all of its assets in favour of the Loan Facility Agent as security for the Borrower's obligations

under the Issuer Term Loan and other liabilities owing from time to time to the Lenders, the counterparties to the Hedging Arrangements, the Loan Arranger and the Loan Facility Agent (together, the **Borrower Secured Creditors**).

The Loans and all other obligations to the Borrower Secured Creditors will be secured by a first legal mortgage over the Property and certain other security interests, including fixed security over the Borrower's interests in any occupational leases, insurance policies, hedging arrangements, bank accounts and rental cashflows in respect of the Property, together with a floating charge over all of its assets.

The security and covenant package for the Issuer Term Loan will also include the benefit of:

- (a) a subordination deed dated on or before the Closing Date (the **Subordination Deed**) under which all debt of the Borrower to Liberty International, CSC and various subsidiaries of Liberty International (together, the **Subordinated Creditors**) will be subordinated to the Issuer and the other Lenders;
- (b) a duty of care agreement entered into by CSC Lakeside Property Management Limited (the **Managing Agent**) with the Loan Facility Agent in relation to the management (including the collection of rental income) of the Property (the **Duty of Care Agreement**); and
- (c) a mortgage of shares dated on or before the Closing Date (the **Mortgage of Shares**) from CSC granting a first fixed equitable charge over all of the Borrower's share capital in favour of the Loan Facility Agent.

The Subordination Deed, the Duty of Care Agreement, the Mortgage of Shares and/or any other security which is to be acquired on the Closing Date by the Issuer are referred to herein as the **Related Security** and will form part of the Loan Security.

Further advances:

Although the Issuer will be the lender for the maximum commitment amount under the Term Facility as at the Closing Date, the Borrower will be entitled, from time to time, to request that the Issuer or any other Term Lender who accedes to the Credit Agreement after the Closing Date increase its term commitment in a minimum amount of £5,000,000 and integral multiples thereafter of £1,000,000 by written request to the Loan Facility Agent. If the relevant Term Lender agrees in writing to such a request, its total commitment amount will be increased accordingly. However, the Credit Agreement will place no obligation on the Issuer or any other Term Lender to make any further advance to the Borrower.

Any additional lending under the Term Facility may be undertaken by the Issuer (in connection with the issue of Further Notes and/or New Notes) or by another Term Lender.

The claims of that other Term Lender may rank *pari passu* with the claims of the Issuer. Any additional lending undertaken by the Issuer and funded by the issue of Further Notes and/or New Notes will rank *pari passu* with the Issuer Term Loan.

The Borrower will also be entitled to request (with the consent of each Term Lender) that any Junior Lender assume a term commitment in a minimum amount of £5,000,000 and integral multiples thereafter of £1,000,000 by written request to the Loan Facility Agent.

No such additional lending under the Term Facility will be permitted unless all the Lenders consent to such additional lending and the Rating Agencies confirm that the then current ratings of each class of Notes will not be adversely affected.

Insurance:

The Borrower will undertake, pursuant to the Credit Agreement, to maintain insurance on the Property on a full reinstatement value basis together with a further amount equal to not less than 12.5 per cent. of the full reinstatement cost (on terms acceptable to the Loan Facility Agent) and not less than five years' loss of rent on all occupational leases together with third party liability insurance and insurance against acts of terrorism (to the extent available in the UK or European insurance markets). The Borrower will also undertake to procure that the Loan 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 (or a group of insurance companies or underwriters) that:

- (a) has a long term credit rating or a financial strength rating (or, in the case of a group of insurance companies or underwriters, the weighted average thereof) of at least "A" (or its equivalent) by Fitch, "A" (or its equivalent) by S&P or satisfactory to Moody's; or
- (b) is recommended by the Borrower's insurance broker in a letter to the Loan Facility Agent and the Borrower to be delivered at least annually; or
- (c) is otherwise acceptable to the Loan Facility Agent (acting reasonably).

Property management:

The Managing Agent will undertake pursuant to the Duty of Care Agreement to collect the rental income from the Property and hold such income in a separate account on trust for the Borrower until transferred to the Borrower's possession.

Key characteristics of the Property

Property:

The property upon which the Issuer Term Loan will be secured comprises the land and buildings of the Lakeside Shopping Centre, Thurrock, England (the **Centre** or the

Property). The Centre is one of the United Kingdom's largest regional shopping centres.

The Centre is a freehold property owned by the Borrower and located in the Borough of Thurrock. Thurrock is situated 32 km (20 miles) east of the City of London and extends for 29 km (18 miles) along the north bank of the River Thames and encompasses part of the M25 London Orbital motorway and part of the A13 London to Southend trunk road. The Property lies a short distance from the Dartford Tunnel (north bound) and the Queen Elizabeth II Bridge (south bound) connecting Essex to Kent.

The site of the Centre comprises a total of approximately 48.6 hectares (120 acres) and is effectively bounded to the north by the A1306, to the east by the A126 (dual carriageway) and to the west and south by the B186 (dual carriageway) West Thurrock Way. Principal access to the site from the north, south and west is via Junctions 30 and 31 of the M25 by way of the dual carriageway A13 (T) trunk road. Approximately 1 mile east of Junction 30 the A13 (T) has dedicated slip roads and flow control roundabouts that lead to the dual carriageway A126 which in turn provides direct access to the site's car park feeder ring road. Access from the east (Basildon and central Essex) is similarly via the A13 (T) but also via the A1306, which links directly with the site's car park feeder ring road at the northern end of the site.

Opened in 1990, the Centre comprises approximately 119,845 m² (1.29 million ft²) of fully enclosed accommodation, primarily arranged over two levels with a food court at level three. The three levels are linked by six sets of escalators and three elevators in the central atrium. The Centre benefits from heating and comfort cooling.

The Property comprises a classic "dumb bell" layout with two major multi-level competing anchor stores: Debenhams on the northern end and House of Fraser on the southern end. In addition, midway along each of the malls are two further anchor stores: Alders on the eastern side and Marks & Spencer on the western side. Linking the four anchor stores on both levels is a main mall with a number of minor side malls that provide access to and from the car parks. The majority of units front the main mall that links the four anchors. Brompton Mall is the only side mall that does not directly provide access to the Property, but instead leads to the Pavilion market area to the western side of the Property and a seven-screen cinema.

The weighted average unexpired lease term to the earlier of first break or expiry is 11.3 years. High Street multiples account for approximately 96 per cent. of current rental income.

No single retail group accounts for more than 5 per cent. of total passing rent, exclusive of turnover rent. The ten largest tenants account for approximately 21.3 per cent. of passing

rent. The largest tenant, the Arcadia Group trading as Top Shop, Wallis, Burtons, Evans and Dorothy Perkins, accounts for just under 5 per cent. of passing rent. The top 50 tenants generate approximately 57.2 per cent. of passing rent, and the top 100 tenants generate approximately 80.4 per cent. of passing rent.

As at 7 June 2004, the total gross rental value of the Centre was estimated to be £56,983,354 per annum exclusive (£55,252,756 per annum on a net basis). As at the same date, net passing rent was estimated to be £48,273,311 per annum, with gross rent passing estimated to be £49,933,410 per annum.

The Centre is managed by a CSC affiliate, CSC Lakeside Property Management Limited.

The Centre is one of only two major regional shopping centres in the South East, the other being Bluewater Shopping Centre in Kent. The combined catchment population of these two retail centres is approximately 10 million people, representing approximately 20 per cent. of the national population. At the present time, the Centre's 60 minute drivetime population catchment (which is shared with Bluewater), represents a larger expenditure than all of the other main UK regional centres: the Trafford Centre in Manchester, Merry Hill in Dudley, Meadowhall in Sheffield and the Metro Centre in Gateshead.

Valuation:

As at 7 June 2004 (the **Valuation Date**), the aggregate open market value of the Property as determined by DTZ Debenham Tie Leung Limited (the **Valuer**) was £1,005,000,000 (the **Valuation**). Since the Valuation Date, there has been no diminution in the value of the Property as at the date of the Offering Circular. On the basis of the Valuation, the loan to value ratio of the Issuer Term Loan (assuming the Term Advance to have already been made) on the date of this document (expressed as a percentage) is 55 per cent.

Under the terms of the Credit Agreement, the Loan Facility Agent will have 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 or likely to result from such valuation, at the cost of the Borrower.

See "*Valuation Report*" below.

Principal features of the Notes

Notes:

The Notes will comprise:

- (a) £470,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2013;
- (b) £62,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2013; and

(c) £18,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2013.

The Notes will be constituted pursuant to a trust deed made between the Issuer and the Trustee dated on or before the Closing Date (the **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 and the Class C Notes. Payments in respect of the Class B Notes will rank ahead of payment of interest in respect of the Class C Notes.

Other than in respect of certain prepayments as set out in **Condition 6**, prepayments of principal in respect of the Class A Notes will rank ahead of repayments of principal in respect of the Class B Notes and the Class C Notes. Repayments of principal in respect of the Class B Notes will rank ahead of repayments of principal in respect of the Class C Notes.

See “*Credit Structure – 9. 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 depositary 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	–	AA
Class C Notes	A	–	A+

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.

Final redemption:

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

Mandatory scheduled redemption in part:

Prior to the Final Maturity Date and to the service of an Acceleration Notice in accordance with **Condition 10**, the Class A Notes only will be subject to mandatory scheduled redemption in part on each Interest Payment Date in accordance with **Condition 6.1(a)** subject to the Priorities of Payments. See further “*Terms and Conditions of the Notes*” below.

Mandatory redemption in whole for taxation and other reasons:

The Issuer will, in accordance with **Condition 6.2**, upon giving not more than 60 and not less than 30 days' notice to the Noteholders and provided that it has satisfied the Trustee that it has sufficient funds available to it, redeem all, but not some only, of the Notes at their then Principal Amount

Outstanding, together with accrued 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 Term Loans.

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 Issuer Term Loan on or before the next Interest Payment Date, the Issuer will, in accordance with **Condition 6.3**, upon giving not more than 60 and not less than 30 days' notice to the Noteholders and provided that it has satisfied the Trustee that it has or will have sufficient funds available to it, redeem some or all of a specified Principal Amount Outstanding of the Notes equal to the principal amount of the Issuer Term Loan being prepaid at a price equal to the Relevant Percentage of their Principal Amount Outstanding together with accrued interest.

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.

Relevant Percentage means 101 per cent. in respect of any redemption before the first anniversary of the Closing Date; and thereafter 100.5 per cent. in respect of any redemption on or after the first anniversary of the Closing Date but on or before the second anniversary of the Closing Date; and thereafter 100 per cent.

If the Issuer makes a partial redemption of the Notes pursuant to **Condition 6.3(a)** as a result of prepayment by the Borrower, then the amounts of any such redemption will be applied, first in redemption of the Class C Notes; then in redemption of the Class B Notes; and finally, in redemption of the Class A Notes.

However, the Issuer will redeem the Notes at their Principal Amount Outstanding in sequential order in accordance with **Condition 6.1(a)** and with no early redemption premium payable if:

- (a) the Borrower prepays the Issuer Term Loan in circumstances where no prepayment fees are payable (such as on account of an increase in the Lenders' costs arising out of a change of law or regulation which have been passed onto the Borrower, where the Borrower is obliged to gross up interest payable on the Issuer Term Loan, where it becomes unlawful for a Lender to give effect to any of its obligations under the Credit Agreement and a Lender requests repayment or where there has been a failure of the Loan Facility Agent and the majority Lenders to consent to a change in shareholding of the Borrower as provided for in the Credit Agreement);

- (b) the Junior Lenders elect to purchase all of the Term Loans pursuant to the Intercreditor Agreement or if the Issuer Term Loan is otherwise transferred pursuant to the Credit Agreement;
- (c) if the Borrower repays the Issuer Term Loan on the Loan Maturity Date; or
- (d) the Issuer receives any proceeds of enforcement after enforcement of the Loan Security.

No purchase of Notes by the Issuer:

The Issuer will not be permitted to purchase Notes.

Further Notes, New Notes and Replacement Notes:

The Issuer will be entitled, without the consent of the Noteholders of any class, to issue further debt securities, as follows:

- (a) notes which are consolidated, and form a single series with, an existing class of Notes (including any New Notes or Replacement Notes then in issue) (**Further Notes**);
- (b) notes which rank *pari passu* with the Class A Notes, or behind the Class A Notes and ahead of the Class B Notes, or *pari passu* with the Class B Notes, or behind the Class B Notes but ahead of the Class C Notes, or *pari passu* with the Class C Notes, or behind the Class C Notes (**New Notes**); and
- (c) notes of any class to replace an existing class of Notes, but with a lower interest rate (or, if fixed rate Notes are to be issued in replacement for floating rate Notes or *vice versa*, a swap rate which (taking into account the relevant margin) is lower than the existing class of Notes being replaced) (**Replacement Notes**).

Pursuant to the Pre-Enforcement Priority of Payments, interest on junior classes of Notes will be payable prior to any scheduled principal amortisation. Any issue of Further Notes, New Notes or Replacement Notes will be subject to the satisfaction of certain conditions precedent. These will include a condition that the Rating Agencies confirm that the then current ratings of each class of Notes already in issue will not be adversely affected. See further **Condition 16** under “*Terms and Conditions of the Notes*” below.

Interest rates:

Each class of Notes will initially bear interest calculated as the sum of LIBOR (as defined in **Condition 5.3**) 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	0.25
Class B Notes	0.47

- Interest payments:** Interest will be payable on the Notes quarterly in arrear on 31 January, 30 April, 31 July and 31 October in each year, unless the same is not a Business Day, in which case the following Business Day in the same calendar month (if there is one) or the previous Business Day (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 Priorities of Payments (as described in “*Credit Structure – 9. Cashflows*” below). 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 Priorities of Payments (as described in “*Credit Structure – 9. 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; and
- The Class C 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 the Issuer, the Trustee and the other Issuer Secured Creditors (other than the Noteholders) and dated on or before the Closing Date (the **Deed of Charge**).
- The Trustee will hold the security granted under the Deed of Charge on trust for itself, any receiver, the Noteholders, the Paying Agents, the Agent Bank, the Corporate Services Provider, the Servicer, the Special Servicer, the Liquidity Bank, the Loan Arranger and the Account Bank (together, the **Issuer Secured Creditors**).
- The Issuer will grant the following security interests under or pursuant to the Deed of Charge (the **Issuer Security**):

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

The security interests referred to in **paragraphs (a) to (e)** above may take effect as floating security and thus rank behind claims of certain preferential and other creditors. Prior to enforcement of the Issuer Security, payments in respect of each class of Notes will rank in accordance with the Pre-Enforcement Priority of Payments (as described in "*Credit Structure – 9. Cashflows*") below. Upon 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 "*Credit Structure – 9. 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 Noteholders 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) Eurohypo (in any capacity), the Managers, the Trustee, the Share Trustee, the Liquidity Bank, the Servicer, the Special Servicer, the Paying Agents, the Agent Bank, the Corporate Services Provider and 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, premium (if any) and interest from the Borrower under the Issuer Term Loan (see further “*Considerations relating to the Issuer Term Loan and the Property*” below) and the receipt of funds (if available to be drawn) under the Liquidity Facility Agreement. 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.

Upon enforcement of the security for the Notes, the Trustee or any receiver will, in practice, have recourse only to the Issuer Term 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, in certain limited circumstances, 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 Issuer Term Loan, the Loan Security, the Intercreditor Agreement, the Property 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 Senior Hedge Counterparties. These ratings reflect only the views of the Rating Agencies. In addition, prospective Noteholders should note that Moody’s has not assigned any credit rating to the Class B Notes or the Class C Notes.

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 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 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 Trustee shall 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 such event, matter or thing.

However, it should be noted that the decision as to whether or not to reconfirm any particular rating may be made on the basis of a variety of factors and no assurance can be given that any such reconfirmation 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). In addition, no assurance can be given that the Rating Agencies will 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, under and in accordance with the terms of the Liquidity Facility Agreement, make available to the Issuer the £40 million Liquidity Facility to enable the Issuer to make payments of interest in respect of the Notes. Furthermore, 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 – 8. Liquidity Facility Agreement*", below.

Subordination of Class B Notes and Class C Notes

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

If, on any Interest Payment Date when there are Class A Notes outstanding, the Issuer has insufficient funds to make payment in full of interest due on the Class B Notes and/or the Class C Notes, then the Issuer will be entitled (under **Condition 5.8**) to defer payment of that amount until the following Interest Payment Date. In these circumstances there will be no Notes 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 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 and the 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 amounts specified at **paragraph (I)** of “*Credit Structure – 9. Cashflows - Payments Paid out of the Issuer Transaction Account Post-Enforcement of the Notes*” below) 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 and all amounts owing to the Class B Noteholders will rank higher in priority to all amounts owing to the Class C Noteholders.

Conflict of interests between classes of Noteholders

The Trustee will be required, in performing its duties as trustee under the Trust Deed and the Deed of Charge, to have regard to the interests of all the Noteholders together. However, if (in the sole opinion of the 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 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 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 are 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 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 Issuer Term Loan (and payment thereof to Noteholders) 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 Issuer Term Loan (and payment thereof to Noteholders).

The Borrower will have the option to prepay the Issuer Term Loan at any time without incurring any prepayment charge (except before the second anniversary of the Closing Date). If the Borrower prepays the Issuer Term Loan in whole or in part, the Issuer will effect a redemption of the Notes (under **Condition 6.3(a)**) in a corresponding principal amount of first, the Class C Notes, then the Class B Notes and finally the Class A Notes.

B. Considerations relating to the Issuer Term Loan and the Property

Concentration of risk generally

The entire amount of the Note issue proceeds will be on-lent to the Borrower. The Borrower's only material asset is the Property itself and it will therefore have access to no funds other than those generated through its ownership of the Property and its letting of the Property to occupational tenants and any amounts that may be payable under the Hedging Arrangements. If the Borrower were to be unable to make payment in full of the amounts due under the Issuer Term Loan, this would adversely affect the ability of the Issuer to make payments due in respect that of the Notes in full.

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 in respect of the Credit Agreement will depend upon its continuing to receive a significant level of aggregate rent from the occupational 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 Property were to fall or if a significant number of occupational tenants were unable to meet their obligations under their occupational leases. See also "*Active Management of the Property*" below.

During the term of the Issuer Term Loan, some of the existing occupational leases which are in place as at the Closing will come to the end of their respective contractual terms. This is likely to be the case also for some of the new occupational leases granted by the Borrower after the Closing Date. There can be no assurance that occupational tenants will renew their respective occupational leases or, if they do not, that new occupational tenants will be found to take up replacement occupational leases. Furthermore, even if such renewals are effected or replacement occupational leases are granted, there can be no assurance that such renewals or replacement occupational leases will be on terms (including rental levels) as favourable to the Borrower as those which exist now or before such termination, nor that the covenant strength of either occupational tenants who renew their occupational leases or new occupational tenants who replace them will be the same as or equivalent to, those now existing or existing before such termination.

In addition, the success of a shopping centre depends on achieving the correct mix of tenants so that an attractive range of retail outlets is available to potential customers. If, for whatever reason, several of the current tenants were to cease paying rent or to occupy its part of the Property, the ability of the Borrower to make payments under the Credit Agreement could be significantly impaired. There can be no assurance that the Borrower will, on termination of the occupational leases currently in place, be able to attract the types of tenant needed in the future to maintain the current range of retail outlets at the Property.

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 retail 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. In addition, changes in the structure of the retail

sector in the United Kingdom, such as the development of online shopping, may have a negative impact on the demand for regional shopping centres and hence the desirability of rental units at the Property.

Rental levels, the quality of the building, the amenities and facilities offered, the convenience and location of the Property, 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 surrounding areas on which the Property depends for its consumer base will not adversely affect the demand for units in the Property.

Active management of the Property

The Property has been, and will remain, under active property management. This is undertaken in order to try to achieve the correct mix of tenants so that an attractive range of retail outlets is available to customers. This may result in the release of occupational tenants from occupational leases at a time when no replacement occupant has yet signed up to a lease.

Equally, some occupational tenants may wish to reduce the size of their premises or to move premises within the Property. In addition, occupational tenants may decide that they wish to take more or less space or space in a different part of the Property.

If an occupational tenant gets into financial difficulties, the Borrower may find it necessary to grant rental concessions to that occupational tenant or to accept a surrender of the relevant occupational lease. Market conditions may be such at the time, that the new occupational lease may provide for payments at a lower rental. In these circumstances, the Borrower may need to agree to such terms, keeping in mind not only the requirement to maximise income but also the impact upon neighbouring shops if the relevant unit were to be closed down for a period.

Privity of contract

The Landlord and Tenant (Covenants) Act 1995 (the **Covenants Act**) provides that, in relation to leases of property in England and Wales granted after 1 January 1996 (other than leases granted after that date pursuant to agreements for lease entered into before that date), if an original tenant under such a lease assigns that lease (having obtained all necessary consents (including consent of the landlord if required by the lease)), that original tenant's liability to the landlord, under the terms of the lease, ceases. The Covenants Act provides that arrangements can be entered into 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 any subsequent assignees of that original assignee. The same principles apply to an original assignee if it assigns the lease.

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

The majority of occupational leases entered into on or after 1 January 1996 in respect of the Property contain provisions giving the Borrower qualified control over any assignment, and most leases also set out specific criteria which any assignee must meet prior to being able to take over

the lease. The majority also give the Borrower a pre-emption right over the unit before the tenant may assign.

There can, however, be no assurance that any assignee of a lease of premises within the 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 Certificate 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.

Competition

Retailing in the UK is highly competitive, with shopping centres representing only a small proportion of the overall retail market and competing against other sectors such as town centres, retail parks and superstores.

The main comparable competitor for the Property is Bluewater Shopping Centre in Dartford, Kent.

The principal factors affecting the Property's ability to attract and retain tenants include the quality of the building, the amenities and facilities offered, the convenience and location of the Property, the amount of space available to be let, the identity and nature of its tenants and the transport infrastructure (including availability and cost of parking) in comparison to competing areas and centres. In addition, the Property may in the future be affected by internet shopping, although it is expected that the range of leisure and food related activities offered by the Property will ensure that customer numbers at the Property should not be materially adversely affected by an increase in internet shopping. See also "*Borrower's dependence on occupational tenants*" above. There are limits on direct competition owing to government planning restrictions on further out-of-town developments.

Development of the Property

The Borrower will have certain discretions as to matters including the design and configuration of the Property and developments within and outside the Property. Although the Borrower is experienced in managing retail property, there can be no assurance that decisions taken by it in the future will not adversely affect the value of or cashflows from the Property.

Statutory rights of tenants

In certain circumstances, occupational tenants of the Property may have legal rights to require the landlord of that property (i.e. the Borrower) 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 may not have its normal freedom to negotiate the terms of the new tenancy with the tenant, such terms being imposed by the court or being the same as those under the previous tenancy of the relevant premises. Accordingly, while it is the general practice of the courts in renewals under the Landlord

and Tenant Act 1954 to grant a new tenancy on similar terms to the expiring tenancy, the basic annual rent will be adjusted in line with the then market rent at the relevant time but there can be no guarantee as to the terms on which any such new tenancy will be granted.

Turnover rents

231 of the 319 occupational leases and licences in respect of the Property make provision for rent to be calculated on the basis of the occupational tenant's turnover. Because this element of rental income is dependent upon the trading performance of the relevant occupational tenants, there can be no assurance that the full turnover rent will become payable. Occupational leases entered into in the future are likely to contain provisions for such turnover rents. Accordingly, there can be no assurance that the Borrower's rental receipts from such occupational tenants will remain at previous levels and be of a sufficient amount on an ongoing basis to enable the Borrower to meet its obligations under the Credit Agreement. See further "*Description of the Property – Leases*".

Turnover rents represent approximately 5 per cent. of total rental receipts.

Keep open covenants

A number of the occupational leases in respect of the Property have covenants on the part of the tenant to keep the Property open and trading during specific hours. Generally, the purpose of such covenants is to ensure that anchor stores in shopping centres and high streets are not left vacant, as that could affect the footfall of surrounding shops/units, the landlord's ability to let surrounding shops/ units and what the landlord can achieve by way of rents on rent review and lease renewal of such shops/units. Current case law would indicate that such covenants cannot be specifically enforced by a landlord, although a landlord can seek and receive damages for breach of the covenant. The occupational leases in respect of the Property generally reserve liquidated damages for any such breach.

Administration risk in respect of certain tenants

If an occupational tenant which is a company were to enter into administration, the Borrower would be prohibited under section 11 of the Insolvency Act 1986 from taking any action against the occupational tenant for recovery of sums due or re-entry to the relevant premises. In addition, under Section 9 of the Insolvency Act 2000, while an administration order is in force in relation to an occupational tenant which is a company (and upon the presentation of a petition for the making of an administration order), the statutory moratorium provided by section 11 has been extended such that a landlord requires the consent of the tenant's administrator or (and when a petition has been presented, only with) leave of the court before it is able to enforce rights against that company as tenant to forfeit the tenant's lease by peaceable re-entry onto the premises.

If the tenant 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, it is possible that the court would refuse to grant such leave to re-enter to the landlord on the grounds that to do so would frustrate the purpose of the administration and, furthermore, that the court would do so notwithstanding that the administrator was only paying a reduced or even no rent under the terms of the relevant lease. This change in legislative approach could impact on the management of the Property and could result in an increase in the number of units in the Property 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 will apply these new provisions.

Leasing parameters

Thirteen of the occupational leases in respect of the Property are short-term, fully inclusive leases, under which the occupational tenants are required to pay fully inclusive rental payment, which covers, among other things, a service charge element. The tenant must in addition pay a

proportion of the Borrower's insurance costs. If service costs were to increase, those occupational tenants who rent units under such fully inclusive leases would not be required to contribute to the higher services costs. However, these fully inclusive leases do not form a large proportion of the aggregate gross rents of the Property and are, in any case, generally let on short terms. In addition, the tenant must pay water and general rates (or a fair proportion thereof) to the Borrower in addition the inclusive figures.

The level of service charges payable by occupational tenants under the occupational leases may differ, but the overall level of service charges payable by all occupational tenants is normally set at a level which is intended to ensure that the landlord recovers from the occupational tenants (taken as a whole) substantially all of the service costs associated with the management and operation of the Property to the extent that the Borrower itself does not itself make a contribution to those costs. However, there are some items of expenditure which the landlord is not entitled to recover from the occupational tenants, for example, the cost of repairing any defects which were inherent in the Property at the start of any occupational lease, the cost of any rebuilding (as opposed to repair) work at the Property and the costs associated with any major improvements or refurbishments of the Property. Also, the extent that there is any empty space in the Centre, the Borrower will generally experience a shortfall depending on the portion that is empty.

Late payment or non-payment of rent

There is a risk that rental payments due under the 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 Issuer Term Loan in full or at all. Such a default by the Borrower may not itself result in a Notes 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 Notes Event of Default will not occur as a result of the late payment of rent.

Refinancing risk

Unless repaid previously, the Borrower will be required to repay the Issuer Term Loan on the Loan Maturity Date. The ability of the Borrower to repay the Issuer Term Loan in its entirety on the Loan Maturity Date will depend upon, among other things, its ability to find a lender willing to lend to the Borrower (secured against the Property) sufficient funds to enable repayment of the Issuer Term Loan. If the Borrower cannot find such a lender then the Borrower might be forced into selling the Property in circumstances which may not be advantageous in order to repay the Issuer Term Loan. If the Property could not be sold for a sufficient amount to enable repayment of the Issuer Term Loan then the Servicer or the Special Servicer (as appropriate) may decide that enforcement of the Loan Security and trading out and/or trading the Property out (via administrative receivership) is more likely to result in sufficient funds being obtained to enable repayment of the Issuer Term Loan. Were such trading out and/or holding to extend beyond the Final Maturity Date then the Issuer could be unable to meet its obligations to repay the Notes in full on that date. See also "*Reliance on Valuation Report*" below.

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 Borrower, the Issuer, Eurohypo, the Trustee and the Managers but may be relied on by each of them only as more fully set out therein.

The Valuer has valued the Property, as at 7 June 2004 (brought down to the date of this Offering Circular), at £1,005,000,000. However, there can be no assurance that the market value of the

Property will continue to be equal to or exceed such valuation. As the market value of the Property 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 Issuer Term Loan and therefore such amounts due under the Notes. If the Property is sold following a Loan Event of Default, there can be no assurance that the net proceeds of such sale will be sufficient to pay in full all amounts due under the Issuer Term Loan and therefore such amounts due under the Notes. In particular, it should be noted that the Property, being a large retail centre with leisure facilities, is a specialised property asset for which, in such circumstances, no ready market may exist.

Security over Borrower Accounts

Although Eurohypo (as the Loan Facility Agent) will have signing rights in respect of the Borrower's Accounts, the Borrower and the Managing Agent will also have signing rights in respect of these accounts prior to a Loan Event of Default. The Credit Agreement will contain provisions requiring the funds in the Borrower's Accounts to be used for specified purposes (see further "*Credit Structure – 6. Borrower Accounts*" below). However, because of the fact that the Borrower and the Managing Agent have these signing rights, it is likely that a court would determine that the security interests granted in respect of the Borrower's Accounts take effect as floating security interests notwithstanding that the security interests in favour of the Loan Facility Agent over the Borrower's Accounts are expressed to be a fixed charge. Accordingly, rent paid into the Rent and General Account and funds in the other Borrower's Accounts could be diverted to pay preferential creditors were a receiver, liquidator or administrator to be appointed in respect of the Borrower. It should be noted, however, that the Credit Agreement will provide that the Loan Facility Agent is to have signing rights over the Debt Service Account (and therefore control over the account) and there will be no provisions in the Credit Agreement permitting the Loan Facility Agent to relinquish such control or indeed for the Borrower to assume signing rights and control over the Debt Service Account.

Assignment of rents

The Borrower Security Agreement will contain a provision whereby the rent receivable in respect of occupational leases is assigned by way of security to the Loan Facility Agent. Typically, and so long as no receiver has been appointed and/or the mortgagee is not in possession, no notice of the assignment is normally given to the occupational tenants. Accordingly, these assignments will take effect as equitable assignments only. As such, these assignments will be subject to any equities or claims, such as rights of set-off between the landlord and the relevant occupational tenant. The Borrower will covenant in the Credit Agreement not to dispose of assets (such as the rents) to any other party, although if it did 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 Lenders (subject to the provisions of the Intercreditor Agreement) to accelerate the Loans and enforce the Loan Security.

Insurance

The Credit Agreement will provide that the Loan Facility Agent is named as the co-insured under the insurance policies to be maintained by the Borrower in respect of the Property (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 Issuer Term 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 will be required to maintain the Insurance Policies with an insurance company or underwriter that has a long term credit rating or financial strength rating of (or, in the case of a group of insurance companies or underwriters, the weighted average thereof) of at least "A" (or its equivalent) by Fitch, "A" (or its

equivalent) by S&P or as satisfactory to Moody's or is recommended by the Borrower's insurance broker in a letter to the Loan Facility Agent and the Borrower to be delivered at least annually or is otherwise acceptable to the Loan Facility Agent (acting reasonably).

Under the terms of the Credit Agreement, the Borrower must apply all moneys received under any Insurance Policy (other than loss of rent or third party liability insurance) towards replacing, restoring or reinstating the Property. 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 Loan Facility Agent, to repay the Issuer Term Loan.

Uninsured losses

The Credit Agreement will also contain provisions requiring the Borrower to carry or procure the carrying of insurance with respect to the Property in accordance with specified terms (as to which, see further "*Credit Structure – 3. 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 Issuer Term 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.

Hedging risks

The Issuer Term Loan bears interest at a floating rate. The income of the Borrower (comprising, primarily, rental income in respect of the Property) does not vary according to prevailing interest rates. Therefore, in order to protect the Borrower (and, indeed, the Issuer) against the risk that the interest rate payable under the Issuer Term Loan may increase to levels which would be too high, bearing in mind the Borrower's income, the Borrower has entered into and, under the terms of the Credit Agreement, will be required to maintain certain hedging arrangements to hedge against this risk. See further "*Credit Structure – 3. The Credit Agreement – Hedging obligations*" below.

If the Borrower were to default in this obligation, or if a Senior 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 Issuer Term Loan. In addition, the Senior Hedge Counterparties will be entitled to terminate the Hedging Arrangements, among other things, upon an acceleration of all or part of the Loans. In these circumstances the Issuer may not have sufficient funds to make payments in full on the Notes and Noteholders could, accordingly, suffer a loss.

Planning matters

The Borrower has confirmed for the purposes of the Certificate of Title that the Property has 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 Property, although the Certificate of Title details some minor discrepancies relating to tenants' obligations which ideally should be resolved with the planning authority. 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 Property.

There will be a number of ongoing planning obligations or restrictions relating to certain elements of the Property. Outstanding sums due under planning obligations represent a charge on the land which may rank in priority to a first legal mortgage.

Environmental matters

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

If any environmental liability were to exist in respect of the Property, neither the Issuer nor the Loan Facility Agent 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 Property or could be said to be in control of the Property. After enforcement, the Loan Facility Agent, if deemed to be a mortgagee in possession, or a receiver appointed on behalf of the Loan Facility Agent, could become responsible for environmental liabilities in respect of the Property. The Loan Facility Agent will be indemnified 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 the Property and is not remedied, or is not capable of being remedied, this may result in an inability to sell the Property or in a reduction in the price obtained for the Property resulting in a sale at a loss. In addition, third parties may sue a current or previous owner, occupier or operator of a site for damages and costs resulting from substances emanating from that site, and the presence of substances on the Property could result in personal injury or similar claims by private claimants.

It should be noted that Waterman Environmental has reviewed previous site investigations and recommendations in respect of the Property and report that most of the recommendations have been implemented and that the site is reasonably well managed. Furthermore, regular gas monitoring has shown that there are concentrations of ground gas across the site, particularly in the southeast and northwest areas. Gas protection measures have been installed on the site and are considered by Waterman Environmental to be adequate for the concentrations of ground gas identified.

Compulsory purchase

Any property in England and Wales (such as the Property) may at any time be compulsorily acquired by, among others, a local or public authority or a governmental department, generally in connection with proposed redevelopment or infrastructure projects. No such compulsory purchase proposals have been revealed in the Certificate of Title issued in relation to the Property.

However, if a compulsory purchase order is made in respect of the Property (or part of the Property), compensation would be payable on the basis of the open market value of all of the Borrower’s and the tenants’ proprietary interests in the Property (or part thereof) at the time of the purchase. Following such a purchase the tenants would of course cease to be obliged to make any further rental payments to the Borrower under the relevant occupational lease (or rental payments would be reduced to reflect the compulsory purchase of a part of the Property if applicable). Such a purchase might also constitute a Loan Event of Default and lead to an acceleration of the Issuer Term Loan. The risk to Noteholders is that the amount received from the proceeds of purchase of the freehold or leasehold estate of the 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 may be payable from the date upon which the

acquiring authority takes possession of the property), 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 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 the 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, the 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.

Mortgagee in possession liability

The Issuer or the Loan Facility Agent 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 Loan Facility Agent or the Issuer (as the case may be). In a case where it is necessary to initiate enforcement procedures against the Borrower, the Loan Facility Agent is likely to appoint a receiver to collect the rental income on behalf of itself or the Issuer (as the case may be) which should have the effect of reducing the risk that the Loan Facility Agent or the Issuer is deemed to be a mortgagee in possession.

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

Risks relating to conflicts of interest

Conflicts of interest may arise between the Issuer and Eurohypo because Eurohypo intends to continue actively to finance real estate-related assets in the ordinary course of its business. During the course of its business activities, Eurohypo may operate, service, acquire or sell properties, or finance loans secured by properties, which are in the same markets as the Property. In such cases, the interests of Eurohypo may differ from, and compete with, the interests of the Issuer, and decisions made with respect to those assets may adversely affect the value of the Property and therefore the ability to make payments under the Notes.

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 Issuer Term Loan. The properties securing any such loans may be in the same market as the Property. 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 Issuer Term 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 Issuer Term 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 Issuer Term Loan. Further, as the Servicer and the Special Servicer may each acquire Notes or interests in the Junior Loans, either of them could, at any time, hold any or all of the most junior class of Notes outstanding from time to time or Junior Loans, and the holder of that class or of Junior Loans may have interests which conflict with the interests of the holder of the Notes, or more senior classes of Notes. 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.

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 Trustee. The ability of any substitute Servicer to administer the Issuer Term 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 Issuer Term 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.

Receivership of the Borrower

Pursuant to the Servicing Agreement, the Servicer and the Special Servicer will be required, in accordance with the Servicing Standard, to maximise the recovery of amounts due from the Borrower and to comply with their respective procedures for enforcement of Loans and Loan Security current from time to time (as to which, see further “*Servicing*” below). The principal remedies available following a Loan Event of Default will be the appointment of a receiver or administrative receiver over the relevant Property and/or other assets of the Borrower and/or entering into possession of the Property. Any such receiver would usually require an indemnity to meet his costs and expenses (which would rank ahead of payments on the Notes) as a condition of his appointment.

Any such receiver is deemed by law to be the agent of the person or company providing security until the appointment of a trustee in bankruptcy or liquidator and, for so long as the receiver acts within his powers, he will only incur liability on behalf of the person or company providing the security. However, if the Loan Facility Agent, the Servicer or the Special Servicer unduly directs, interferes with or influences the receiver’s actions, the Loan Facility Agent, the Servicer or the Special Servicer may be held to be responsible for the receiver’s acts.

Administration of the Borrower

Alternatively, following a Loan Event of Default, the Servicer or the Special Servicer could direct the Loan Facility Agent to appoint an administrator of the Borrower under the Insolvency Act 1986 (as amended by the provisions of the Enterprise Act 2002).

An administrator is required to have regard to the interests of all creditors, both secured and unsecured. The purpose of any administration would be to rescue the company or, where such is not reasonably practicable, to achieve a better result for the company’s creditors as a whole than would be likely if the company were wound up or, where neither of the above purposes are reasonably practicable, to realise the company’s assets to make a distribution to the secured and/or preferential creditors. These purposes could conflict with the wishes or interests of the Noteholders.

The Loan Facility Agent, as holder of a floating charge over the whole or substantially the whole of the Borrower’s property will be able to appoint the administrator of its choice, and is entitled to notice of, and to make representations to the court with regard to, any application for the

appointment of an administrator by any other person. The appointment can be made without going to court unless a winding up order has previously been made or a provisional liquidator appointed.

However, as stated below under “*C. General considerations – Enterprise Act 2002*”, the Issuer believes that the Loan Facility Agent would be able to appoint an administrative receiver in respect of the Borrower (thus blocking the appointment of an administrator to the Borrower) and expects that enforcement of the Loan Security would occur by means of administrative receivership (as described above), rather than administration, of the Borrower.

C. General Considerations

Reliance on warranties

Neither the Issuer nor the Trustee has independently undertaken any investigations as to the accuracy of the various representations given by the Borrower in respect of the Issuer Term Loan, the Loan Security and related matters. Instead, they will rely on the representations and warranties to be given by the Borrower under the Credit Agreement, the Certificate of Title, the building condition and environmental report on the Property prepared by Waterman and Partners and the Valuation.

European Monetary Union

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating Member State in Economic and Monetary Union and that therefore the euro may 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 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 may 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 Issuer Term Loan, although the Borrower is required to maintain certain hedging cover in respect of its obligations under the Issuer Term Loan.

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 a date not earlier than 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 to and effect on 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 1986 (as amended, 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.

However, section 72B of 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 floating charge granted by the Issuer pursuant to the Deed of Charge and the Borrower pursuant to the Borrower Security Agreement) which form part of a capital market arrangement (as defined in the Insolvency Act) and which involves both indebtedness of at least £50,000,000 (or, when the relevant security document (being in respect of the transactions described in this Offering Circular, the Deed of Charge and the Borrower Security Agreement) 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 also 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 charges granted by the Issuer and the Borrower 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 and/or the Borrower 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% of the first £10,000 of floating charge realisations plus 20% 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 and the Loan 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 or the Borrower 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 market 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. While the Issuer is of the view that the Issuer and the Borrower should fall within the exceptions, there is no guidance as to how the legislation

will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. 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 and/or the Borrower is 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 by the Trustee 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

The Issuer, Opera Finance (Lakeside) plc, was incorporated in England and Wales on 15 June 2004 (registered number 5153959), 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, among other things, 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 the issue of the Notes, the making of the Term Advance and certain related transactions described elsewhere in this document.

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 making of the Issuer Term Loan, the exercise of related rights and powers and the other activities described in this document. See further **Condition 4.1**.

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, Helena Paivi Whitaker and Claudia Wallace) 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 and Claudia Wallace), 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 as nominee for the benefit of charitable institutions. The remaining one share in the Issuer, which is paid up as to 25p, is held by SFM Nominees Limited (registered number 04115230) under the terms of a trust as nominee for the Share Trustee.

Loan Capital

Class A Commercial Mortgage Backed Floating Rate Notes due 2013	£470,000,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2013	£62,000,000
Class C Commercial Mortgage Backed Floating Rate Notes due 2013	£18,000,000
Total Loan Capital	£550,000,000

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 (**KPMG**) who have been appointed as auditors and reporting accountants to the Issuer. KPMG 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 2004.

"KPMG Audit Plc

Opera Finance (Lakeside) plc
Blackwell House
Guildhall Yard
London EC2V 5AE

10 August 2004

Dear Sirs

Opera Finance (Lakeside) plc (the Company): £470,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2013, £62,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2013 and £18,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2013.

We report on the financial information set out in **paragraphs 1 and 2** below. This financial information has been prepared for inclusion in the offering circular dated 10 August 2004 (the **Offering Circular**) of the Company.

Basis of Preparation

The financial information set out below is based on the financial statements of the Company from incorporation to 10 August 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 which this report is included.

It is our responsibility 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 10 August 2004.

Yours faithfully

KPMG Audit Plc

1. Balance Sheet as at 10 August 2004

	<u>£</u>
<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% 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 15 June 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 15 June 2004, with the name of Opera Finance (Lakeside) plc.

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

On 20 July 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 20 July 2004, one ordinary was issued by the Company to SFM Corporate Services Limited and one quarter paid-up for a total cash consideration of £0.25.

On 28 July 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 20 July 2004.

THE BORROWER

The Borrower, CSC Lakeside Limited, was incorporated in England and Wales on 19 January 2001 (registered number 04144192), as a public company with limited liability under the Companies Act 1985. The registered office of the Borrower is at 40 Broadway, London SW1H 0BU. The Borrower is a wholly owned subsidiary of Capital Shopping Centres PLC and has no subsidiaries of its own.

1. Principal Activities

The principal objects of the Borrower are set out in clause 3 of its memorandum of association and are, among other things, to carry on all or any of the businesses of a property holding company and to carry on any other business or activity in connection or conjunction with such business.

2. Directors and Secretary

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

Name	Business Address	Principal Activities
Susan Folger	40 Broadway London SW1 0BU	Company Secretary
John George Abel	40 Broadway London SW1 0BU	Director
Peter Colin Badcock	40 Broadway London SW1 0BU	Director
Peter Charles Barton	40 Broadway London SW1 0BU	Director
Richard Malcolm Cable	40 Broadway London SW1 0BU	Director
Kay Elizabeth Chaldecott	40 Broadway London SW1 0BU	Director
David Andrew Fischel	40 Broadway London SW1 0BU	Director
Aidan Christopher Smith	40 Broadway London SW1 0BU	Director

3. Capitalisation and Indebtedness

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 adjusted financial information setting forth the effect of the transaction:

	As at 31 December 2003	
	Actual (£m)	Adjusted ¹ (£m)
Short-term portion of long-term debt – secured.....	4.5	–
Amounts due to immediate parent company – unsecured	4.4	4.4
Amounts due to group undertakings – unsecured	560.5	560.5
Long-term loans – secured	440.8	545.3
Total indebtedness	<u>1,010.2</u>	<u>1,110.2</u>
Shareholders' equity		
Share capital	–	–
Revaluation reserve	63.2	63.2
Profit and loss account.....	(48.6)	(48.6)
Total shareholders' equity.....	<u>14.6</u>	<u>14.6</u>
Total capitalisation and indebtedness	<u>1,024.8</u>	<u>1,124.8</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. In preparing this adjusted financial information, it has been assumed that the proceeds of the transaction have been applied to repay the existing secured loan facility.

4. Financial Position

The Borrower's most recent audited financial statements (being for the years ended 31 December 2002 and 2003) are included at Appendix A to this Offering Circular.

At 31 December 2003, there were no contingent liabilities or guarantees of which the Directors were aware other than the liabilities presented above.

Since 31 December 2003, the revaluation reserve of the Borrower has increased by £38.1 million due to the revaluation of the Property as at 30 June 2004.

Except as described above, since 31 December 2003 there has been (a) no significant change in the financial position or prospects of the Borrower, and (b) no significant change in the trading or financial position of the Borrower.

DESCRIPTION OF THE PROPERTY

Introduction

The property upon which the Issuer Term Loan will be secured comprises the land and buildings of the Lakeside Shopping Centre, Thurrock, England.

The Centre is a freehold property owned by the Borrower. The Centre is one of the United Kingdom's largest retail shopping centres. Completed in 1990, it provides approximately 119,845 m² (1.29 million ft²) of fully enclosed accommodation arranged over two principal levels, the Lower and Upper Malls, and a food court at Level 3. The Property includes:

- department stores occupied by Marks & Spencer, Debenhams, House of Fraser and Alders;
- other "Main Space Users" occupied by Argos, Boots, Next, Woolworths, New Look, Hennes & Mauritz, Lillywhites, Bhs and WH Smith;
- unit shops occupied, among others, by the Arcadia Group (trading as Top Shop, Wallis, Burtons, Evans and Dorothy Perkins), the John David Group (JD Sports), River Island, Moss Bros, Clinton Cards, French Connection and Superdrug;
- a food court;
- the Pavilion, a retail, specialty food and leisure area, which includes Mississippi Steamer and Mama Amalfi;
- a seven-screen Warner multiplex cinema;
- free parking with approximately 13,000 surface and multi-storey car spaces; and
- the 10.53 hectare (26 acre) Alexandra Lake which is used for water sports and other recreational purposes.

As per the DTZ valuation dated 7 June 2004, gross rent passing (inclusive of reversionary income from outstanding rent reviews) in respect of the Centre was estimated to be £49,933,410 per annum (with net passing rent estimated to be £48,273,311 per annum) and the estimated gross rental value of the Centre was £56,983,354 per annum (£55,252,756 per annum on a net basis).

Location

The Centre is a freehold property owned by the Borrower and located in the Borough of Thurrock. Thurrock extends for 29 km (18 miles) along the north bank of the River Thames to east London and encompasses part of the M25 London Orbital motorway and part of the A13 London to Southend trunk road. Thurrock is situated just 32 km (20 miles) east of the City of London. The Property lies a short distance from the Dartford Tunnel (north bound) and the Queen Elizabeth II Bridge (south bound) which connect Essex to Kent.

The site of the Centre comprises a total of approximately 48.6 hectares (120 acres) and is effectively bounded to the north by the A1306, to the east by the A126 (dual carriageway) and to the west and south by the B186 (dual carriageway) West Thurrock Way.

Access

Principal access to the site of the Centre from the north, south and west is via Junction 30 and 31 of the M25 by way of the dual carriageway A13 (T) trunk road. Approximately one mile east of Junction 30 the A13 (T) has dedicated slip roads and flow control roundabouts that lead to the dual carriageway A126, which in turn provides direct access to the site's car park feeder ring road.

Access from the east (Basildon and central Essex) is similarly via the A13 (T) but also via the A1306, which links directly with the site's car park feeder ring road at the northern end of the site.

The surrounding area has good road communications with the M25 London Orbital motorway and the Dartford Tunnel approach road situated less than 4 km (2.5 miles) to the west via junctions 30 and 31. To the north, the A13 London to Southend trunk road provides access to London to the west and Southend to the east.

The nearest mainline railway station is Chafford Hundred which provides direct access to the Centre via a pedestrian footbridge over the A126 into the House of Fraser Department store. Chafford Hundred railway station provides a direct service to London Fenchurch Street to the west and Southend to the east with fastest journey times of approximately 33 minutes and 42 minutes, respectively. In addition, there are good connections to the London Underground at Barking, Dagenham and West Ham.

Furthermore, there is a comprehensive local and regional bus service operating between the Centre and a number of locations such as London, Grays, Romford, Maidstone, Chelmsford, Southend and Basildon. The bus station is situated beside Debenhams Department Store.

Surrounding area

Surrounding the Centre to the south and west, and accessed from the A126 and West Thurrock Way are five retail warehouse developments that were opened in the late 1980s and comprise a total gross floorspace of 114,378 m² (1,231,195 ft²). Occupants at these developments include B&Q, CostCo, Furniture Village, Comet, Carpet Right, Matalan, JJB Sports, TK Maxx, Halfords, MFI Homeworks, Allied Carpets, Dreams, SCS, Land of Leather and Harveys. In addition to the retail warehouse developments, there is an IKEA superstore, a Tesco supermarket, a Gala Bingo Hall and three fast food outlets situated nearby. The presence of these retail warehouse and leisure outlets establishes West Thurrock as one of the largest retail conurbations in Western Europe.

Catchment area

The Centre is one of only two major regional shopping centres in the South East, the other being Bluewater Shopping Centre in Kent, and the combined catchment population of these two retail centres is approximately ten million people, representing approximately 20 per cent. of the national population.

At the present time, the Centre's 60 minute drivetime population catchment (which is shared with Bluewater) represents a larger expenditure than any of the other main UK regional centres, being the Trafford Centre in Manchester, Merry Hill in Dudley, Meadowhall in Sheffield and the Metro Centre in Gateshead.

Competition

The main comparable competition to the Centre is Bluewater Shopping Centre, which is situated just south of the Property across the River Thames in Dartford. Bluewater Shopping Centre was completed in early 1999 and comprises retail and leisure accommodation of approximately 152,722 m² (1,643,805 ft²), anchored by John Lewis, Marks & Spencer and House of Fraser. Other tenants include Next, Virgin, Mango, French Connection, Gap, Boots, WH Smith, The Body Shop, Burger King, Mothercare, Early Learning Centre, Russell and Bromley, Massimo Dutti and Joseph.

As Bluewater Shopping Centre and the Centre share the same large catchment of approximately 10 million people (approximately 20 per cent. of the national population) the opening of Bluewater Shopping Centre in 1999 initially adversely affected trade at the Centre. However, within approximately twelve months, footfall at the Centre had been restored.

The main reason for Bluewater Shopping Centre's limited effect on trade is that in addition to the physical barrier of the River Thames, the centres cater to two different consumer markets. The Property caters to the middle sector of the retail market and Bluewater Shopping Centre caters more to the upmarket end.

Approximately 135 retailers are represented at both centres, while Debenhams, Bhs, Woolworths and Argos are represented solely at the Centre. Retailers represented at Bluewater Shopping Centre but not at the Centre include John Lewis and a number of upmarket fashion retailers such as Jigsaw, LK Bennett, Massimo Dutti and Joseph.

Property description

The Centre was constructed in the north east corner of the former Motherwell Way pit chalk quarry and opened in 1990. The Centre comprises approximately 119,845 m² (1.29 million ft²) of fully enclosed accommodation, primarily arranged over two levels with a food court at level three. The three levels are linked by six sets of escalators and three elevators in the central atrium. The Centre benefits from heating and comfort cooling.

The Property comprises a classic "dumb bell" layout with two major multi-level competing anchor stores (Debenhams on the northern end and House of Fraser on the southern end). In addition, midway along each of the malls are two further anchor stores (Alders on the eastern side and Marks & Spencer on the western side). Linking the four anchor stores on both levels is a main mall with a number of minor side malls that provide access to and from the car parks. The majority of units front the main mall that links the four anchors. Brompton Mall is the only side mall that does not directly provide access to the Property but instead leads to the Pavilion market area to the western side of the Property and a seven-screen cinema.

Footfall in the Centre between the two floors of the mall is not discernibly different as entry from the different car parks on the west and east sides of the Centre leads to the Lower and Upper Malls respectively. In addition, there are various entrance points via the anchors situated to the north, south, east and west sides of the Centre.

Capital expenditures

The Centre has recently undergone refurbishment works to improve and upgrade the shopping environment by creating clutter free malls, improved sightlines and contemporary shop fronts. All works are being funded by the Borrower and were completed on 30 June 2004, the cost being approximately £30,000,000. The refurbishment works included:

- replacing the entrance doors to the Property with automatic doors;
- improving the lighting at the entrances;
- providing three new lifts in the central atrium;
- tiling over the existing terrazzo floor with new tiles;
- reshaping light wells and replacing the old balustrading with stainless steel and adding glass panels to enhance sight lines;
- providing new escalators between the Upper and Lower Malls;
- improving the lighting; and
- replacing the ceilings and facades above the tenants shop fit.

Over the past five years, the Borrower has invested significant funds in refurbishing and upgrading the food court and the surrounding area. A breakdown of expenditures in respect of the Centre is provided below.

Capital Expenditures	1998 (£ '000)	1999 (£ '000)	2000 (£ '000)	2001 (£ '000)	2002 (£ '000)	2003 (£ '000)
Unit reconfigurations.....	49	15	111	206	1,063	25
Mall improvements	94	1,016	69	1,003	194	185
Road improvements	332	876	618	252	59	161
Car park ⁽¹⁾	1,886	13,498	-271	-197	-	-31
Remodeling.....	-	-	633	6,842	2,320	17,840
Miscellaneous	2	27	26	-	-	-
Total Capital Expenditure..	2,363	15,432	1,186	8,106	3,636	18,180

(1) Negative capital expenditures due to reversals of accruals as cost came in less than expected.

Accommodation and tenants

The Centre comprises approximately 300 units. The majority of tenants are High Street multiples. The main malls comprise some 250 unit shops plus ten anchor and major space users including Marks & Spencer, Argos, Alders, Bhs, Boots, Debenhams, House of Fraser, WH Smith, Next and Woolworths. A breakdown of the net internal floor areas (NIA) for each unit type within the scheme is summarised in the table below:

Unit Type	Description	Combined NIA	Percentage of Combined NIA
Department Stores	Net internal area <ul style="list-style-type: none"> ● House of Fraser ● Marks & Spencer ● Debenhams ● Alders 	491,968 ft ²	38.15%
Main Space Users	Net internal area in excess of 10,000 ft ² <ul style="list-style-type: none"> ● Argos ● Boots ● Next ● Woolworths ● New Look ● H&M ● Lillywhites ● Bhs ● WH Smith 	246,487 ft ²	19.11%
Unit Shops	Net internal area below 10,000 ft ²	447,460 ft ²	34.70%
Food Court	Located on Level Three, featuring <ul style="list-style-type: none"> ● Haagen Daz ● Fresh ● Fresh Italy ● Feast food fast ● Pizza Hut ● KFC ● Burger King 	18,274 ft ²	1.42%
Pavilion	Mississippi Steamer, Mama Amalfi and Great Hong Kong Restaurant	40,125 ft ²	3.11%
Cinema	Seven-screen Warner Village cinema, seating 2,000	33,386 ft ²	2.59%
Other	E.g., play centre and storage units	11,877 ft ²	0.92%
Total		1,289,577 ft²	100.00%

The food court has shared seating for up to 1,100 people. There are other coffee shops and restaurants located on the main mall floors. The Borrower intends to redevelop the Pavilion, comprising an area of approximately 15,300 m² (165,000 ft²), from craft market/unit shops to a focal point for leisure oriented restaurants and other similar amenities. As part of the redevelopment, the boardwalk fronting the lake is to be extended to accommodate a new outdoor seating area for the restaurants. Occupiers such as Wetherspoons, Ask Pizza, Wagamamma, La Tasca, Frankie & Benny's and Nando's have expressed interest in units in the new Pavilion area.

The Centre benefits from a wide variety of covenant strengths. The majority of tenants are well known high street multiples (approximately 79 per cent. of tenants and 96 per cent. of current rental income). A smaller percentage of tenants (approximately 21 per cent. of tenants and 4 per cent. of current rental income) are local operators, mainly situated in Brompton Walk and the Pavilion. The current tenant mix at the Centre across retail categories is presented in the table below:

Tenant category	Share of Base Rent Payable	Net Lettable Area (ft ²)	Share
Mixed Fashion	14.2%	123,796	9.6%
Womenswear	13.7%	87,223	6.8%
Catering & Pubs	6.9%	63,875	5.0%
Sports	6.9%	59,600	4.6%
Menswear	6.5%	28,875	2.2%
Footwear	6.3%	28,472	2.2%
Chemists, Health & Beauty, Personal Care	6.1%	63,083	4.9%
Variety Stores	5.6%	110,763	8.6%
Department Stores	4.6%	491,968	38.1%
Jewellery	3.6%	15,551	1.2%
Toys, Games & Comp Software	3.5%	28,731	2.2%
Accessories	2.7%	10,218	0.8%
Cards & Stationery	2.3%	11,529	0.9%
Books	2.2%	21,579	1.7%
Electrical	2.2%	10,991	0.9%
Telecommunications	2.0%	5,991	0.5%
Music & Videos	1.5%	8,754	0.7%
Arts & Gifts	1.4%	7,991	0.6%
Bank	1.3%	8,750	0.7%
Food Stores	1.2%	5,775	0.4%
Household.....	1.1%	12,644	1.0%
Leisure & Travel	1.1%	6,920	0.5%
Cinema	0.9%	33,386	2.6%
Childrenswear.....	0.9%	1,208	0.1%
Miscellaneous	0.7%	9,822	0.8%
Soft Furnishing & Haberdashery	0.6%	3,473	0.3%
Service Operators.....	0.1%	757	0.1%
Photography	0.0%	70	0.0%
Utility	0.0%	–	0.0%
Vacant.....	0.0%	26,763	2.1%
Other ⁽¹⁾	0.0%	1,019	0.1%
Total	100.0%	1,289,577	100.0%

(1) Information kiosks and other miscellaneous spaces.

No single retail group accounts for more than 5 per cent. of total passing rent, exclusive of turnover rent. The ten largest tenants account for approximately 21.3 per cent. of passing rent. The largest tenant, the Arcadia Group trading as Top Shop, Wallis, Burtons, Evans and Dorothy Perkins, accounts for just under 5 per cent. of passing rent. The top 50 tenants generate approximately 57.2 per cent. of passing rent, and the top 100 tenants generate approximately 80.4 per cent. of passing rent.

Rent

The Property generates gross income from rent, turnover and commercialisation of approximately £49.9 million per annum. DTZ has valued the Property on the basis of a net property income figure of approximately £48.3 million, derived as follows:

Gross Income

Rent (assuming rent reviews are settled at estimated rental value)	£45,797,901
Turnover.....	£2,500,000
Food Court (net rent)	£939,000
CSC Enterprises ⁽¹⁾	£696,509
	<u>£49,933,410</u>

Deductions

Running Void (one per cent. of gross rent)	£499,336
Service Charge Shortfall	£339,295
Management Costs	£821,468
	<u>£1,660,099</u>
Net Property Income	<u>£48,273,311</u>

(1) Contracted rental or license income from advertisements, vending machines, aerials, mall promotions and escalator advertising.

The leases for the Centre are on full internal repairing terms with each tenant liable for their internal demise and a proportionate share of the landlord's costs of repairing and maintaining the structure and common areas as well as management. However, there are a small number of leases where the rents are on a fully inclusive basis. The service charge is calculated principally as an apportionment of the total cost of provision of services, on the basis of the weighted floor areas of all lettable units.

The deduction for management costs includes a contribution to the Merchants Association for property advertising, which is not recoverable from the tenants.

The table below sets forth actual income at the Centre for the six years ending 31 December 1998, 1999, 2000, 2001, 2002 and 2003:

In £ '000	1998	1999	2000	2001	2002	2003
<i>Income</i>						
Rent receivable.....	37,781	38,985	39,719	41,481	43,954	45,477
Turnover rent	3,773	3,119	2,117	2,078	1,982	2,767
<i>Amortisation of incentives/</i>						
Bad debt	(725)	(477)	(334)	(156)	(798)	(913)
Food court net income	939	694	721	680	966	629
CSC Enterprises ⁽¹⁾	–	–	–	–	51	154
Mgmt fees service charge ..	449	471	490	507	523	540
<i>Centre management</i>						
income	332	293	247	229	408	277
Other income	147	528	353	451	205	481
Total income	42,696	43,613	43,313	45,270	47,291	49,412
<i>Costs</i>						
Void rates	13	86	172	218	136	90
Service charge voids	182	251	350	428	345	331
Third party fees.....	507	286	744	536	699	551
Centre mgmt non-recoverables	698	720	726	805	861	789
Other non-recoverables	59	67	67	59	94	29
Visa card.....	202	247	212	174	7	–
Total costs	1,661	1,657	2,271	2,220	2,142	1,790
Net Property Income	41,035	41,956	41,042	43,050	45,149	47,622

(1) Contracted rental or license income from advertisements, vending machines, aerials, mall promotions and escalator advertising.

Source: CSC Lakeside Limited

Vacancies have been limited over the previous five years, as evident from the table below:

Vacant Retail Units at Year End

Year	By Number	By Percentage
1999.....	4 units	1.79%
2000.....	4 units	1.79%
2001.....	5 units	2.20%
2002.....	2 units	0.80%
2003.....	0 units	0.00%

Source: CSC Lakeside Limited

Current vacancy is 2.1 per cent. of total space.

Leases

Within the Centre, there are six standard types of leases. The main lease type, which applies to approximately 65 per cent. of tenants and approximately 87 per cent. of the Centre income is the **Turnover Lease**. The other five types of leases are the **Rack Rented Lease** (approximately 5 per cent. of tenants), the **Short Term Turnover Lease** (approximately 6 per cent. of tenants), the

Storage Unit Lease (approximately 12 per cent. of tenants), the **Pavilion Lease** (approximately 5 per cent. of tenants) and the **Food Court Lease** (approximately 2 per cent. of tenants), the remaining 5 per cent. being non-standard leases or licences. Generally, the tenant is responsible for internal repair and maintenance, including shop front and conducting media, while the Borrower is responsible for repairs of a structural nature.

Turnover Leases

Approximately 65 per cent. of units are let on the Turnover Lease. The Turnover Lease provides for a basic rent, which is defined as 80 per cent. of the unit's estimated rental value. In addition to the basic rent, a turnover top up rent is payable annually in arrear. The turnover top up is calculated as:

$$(A\% \times B) - C$$

where A is the agreed turnover percentage, B is gross turnover and C is basic rent payable in the specified turnover period. The turnover percentage varies from tenant to tenant and is agreed individually with each retailer depending on the type of products sold. Unaudited turnover information is provided to the Borrower on a monthly or quarterly basis, with audited turnover figures verified annually.

There is a "keep open during prescribed hours" clause within the Turnover Lease. Save as noted in the Certificate of Title, change of use requires landlord's consent, where the landlord can reasonably withhold consent if it is likely that the change could reasonably be expected to reduce rent for the unit or adversely affect tenant mix. See "*Risk Factors – Considerations relating to the Issuer Term Loan and the Property*" for more information.

Rack Rented Leases

Approximately 5 per cent. of units are let on the Rack Rented Lease. The terms of the Rack Rented Lease are similar to that of the Turnover Lease, except that under a Rack Rented Lease, the rent payable is the full open market rent and there is no turnover top up.

Short Term Turnover Leases

Approximately 6 per cent. of units are let on the Short Term Turnover Lease. The terms of the Short Term Turnover Lease are broadly similar to that of the Turnover Lease with the exception that the rental period is less than five years.

Remaining Leases

Approximately 5 per cent. of units are let on non-standard leases or licences.

The remaining three lease types relate to storage units, units situated in the Pavilion and food court units. A total of approximately 19 per cent. of units are let on these three lease types.

Lease expiry profile

The Centre is a mature scheme and as such offers a wide range of lease expiry dates from several months to 25 years. The main anchors are House of Fraser, Debenhams, Marks & Spencer and Allders, which have an average unexpired term of approximately 21.6 years.

The weighted average remaining lease term to the earlier of first break or expiry is 11.3 years. Approximately 42 per cent. of space is let on leases with an unexpired term of 15 years or longer and which generate approximately 11 per cent. of the Centre's total rental income. Leases with an unexpired lease terms from 10 to 15 years account for approximately 44 per cent. of space and approximately 68.5 per cent. of total rental income, while leases of under 10 years account for approximately 12 per cent. of space and approximately 20 per cent. of total rental income.

Lease expiration analysis:

Years:	Vacant	0-5	5-10	10-15	15-20	20-25	25+	Total ⁽¹⁾
Lease break not exercised								
Weighted by								
rent (£)	–	2,487,985	6,912,959	31,852,495	1,872,060	3,368,713	–	46,494,212
% of total rent	0.0%	5.4%	14.9%	68.5%	4.0%	7.2%	0.0%	100.0%
Weighted by								
space (ft ²)	26,763	51,808	101,714	568,259	24,104	365,910	150,000	1,288,558
% of total space	2.1%	4.0%	7.9%	44.1%	1.9%	28.4%	11.6%	100.0%
Lease break exercised								
Weighted by								
rent (£)	–	5,233,649	6,562,959	29,823,431	1,630,460	3,243,713	–	46,494,212
% of total rent	0.0%	11.3%	14.1%	64.1%	3.5%	7.0%	0.0%	100.0%
Weighted by								
space (ft ²)	26,763	114,213	100,268	510,050	21,354	365,910	150,000	1,288,558
% of total space	2.1%	8.9%	7.8%	39.6%	1.7%	28.4%	11.6%	100.0%

(1) The sum of area is 1,289,577 ft², the difference between this sum and the total above (i.e., 1,019 ft²) is due to certain units having ceased to exist due to a reconfiguration of the shopping centre.

Concentration of Lease Size:

	Vacant	0-500	500-2,500	2,500-5,000	5,000-10,000	10,000-50,000	50,000-100,000	100,000+	Total
Square feet:									
Weighted by									
rent (£)	0.0%	2.9%	42.5%	23.8%	8.4%	15.8%	3.2%	3.3%	100%
Weighted by									
space (ft ²)	2.1%	1.4%	16.0%	12.2%	6.6%	18.8%	11.2%	31.7%	100%

Estimated Rental Value

The Centre benefits from prime rents on both malls due to the layout of the main entrances from the car parks situated to the east and west of the Centre. According to DTZ, at the date of the Valuation the prime estimated rental value at the centre was £3,445 per m² (£320 per ft²) Zone A. According to the Valuation, a turnover lease at this level compares favourably to other super prime schemes and therefore demonstrates rental affordability.

Since the date of DTZ's valuation, lettings have been achieved at rental levels in excess of £3,606 per m² (£335 per ft²) Zone A.

DTZ estimates the total gross estimated rental value for the Centre at £56,983,354 per annum exclusive (i.e., approximately 80 per cent. of estimated rental value where appropriate) compared to a gross passing rent of £49,933,410 per annum exclusive (on a net basis, these figures are, respectively, £55,252,756 per annum and £48,273,311 per annum). DTZ estimates that, on the basis of current estimated rental value, gross rent will be £52,064,095 per annum exclusive in June 2005.

According to the Valuation, over the next five years, rent reviews are expected for a total of 181 units. The corresponding passing rent figure is £37,997,018, and DTZ's estimated rental value for these units is £42,828,120, indicating a reversionary potential of approximately 12.7 per cent. for the period through 2008.

Market Value

DTZ has determined the market value of the Borrower's freehold interest in the Property, subject to the existing tenancies, to be £1,005,000,000 as at 7 June 2004 (brought down to the date of this Offering Circular).

Since 7 June 2004, CSC has instructed DTZ to re-value the Property for inclusion in the half-yearly accounts prepared by Liberty International. The market value set out in the DTZ re-valuation dated 30 June 2004 was £1,033,805,000.

VALUATION REPORT

10 August 2004

CSC Lakeside Limited
40 Broadway
London SW1H 0BT

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

Eurohypo AG London Branch as Initial Junior Lender
90 Long Acre
Covent Garden
London WC2E 9RA

Opera (Lakeside) as Issuer and Initial Term Lender
90 Long Acre
Covent Garden
London WC2E 9RA

Citigroup Global Markets Limited, as Manager
Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB

Morgan Stanley & Co. International Limited, as Manager
20 Cabot Square
Canary Wharf
London E14 4QW

HSBC Trustee (C.I.) Limited as Trustee
Level 24
8 Canada Square
London E14 5HQ

Dear Sirs

VALUATION OF LAKESIDE SHOPPING CENTRE, THURROCK AS AT 10 AUGUST 2004

1. Introduction

In accordance with your instructions, we have inspected the Lakeside Shopping Centre, West Thurrock, Essex (the **Property**) owned by CSC Lakeside Limited (the **Company**) in order to advise you of our opinion of the market value of the Property as at 7 June 2004 subject to existing tenancies as at 13 May 2004. We are of the opinion that since the date of valuation there has been no diminution in the value of the Property as at 10 August 2004.

2. Inspections

The Property was inspected during January and February 2004. We were able to inspect those areas of the Property which were open to the public.

3. Compliance with Appraisal and Valuation Standards and The Listing Rules

We confirm that the valuations have been made in accordance with the appropriate sections of both the current Practice Statements (**PS**), and United Kingdom Practice Statements (**UKPS**) contained within the RICS Appraisal and Valuation Standards, 5th Edition (the **Red Book**) as well as the Listing Rules published by the Financial Services Authority.

4. Status of valuer and conflicts of interest

We confirm that we have undertaken the valuations acting as External Valuers as defined in the Red Book, qualified for the purpose of the valuation.

As you are aware, we currently value Property on a half yearly basis on behalf of Capital Shopping Centres Plc.

5. Purpose of the valuation report

We understand that this valuation report and Schedule (the **Valuation Report**) is required in connection with the listing particulars to be published in accordance with the Listing Rules made under the European Communities (Stock Exchange) Regulations of 1984 of Ireland for listing of debt securities on the Irish Stock Exchange.

In accordance with UKPS 5.4, we have made certain disclosures in connection with this valuation instruction and our relationship with Capital Shopping Centres PLC (**CSC**). These are included in item 6 below.

6. Disclosures required under the provisions of UKPS 5.4

6.1 Previous valuations of the Property for the Purpose of the Valuation Report

The Property has not been valued previously by DTZ Debenham Tie Leung for the same purpose as the Purpose of this Valuation Report.

6.2 DTZ's relationship with client

In addition to the matters referred to in item 4 of this Valuation Report, DTZ Debenham Tie Leung provides and has provided in the past ad hoc valuation and occupational agency advice to CSC.

DTZ Debenham Tie Leung also value the majority of those properties comprising the property portfolio of CSC on a half yearly basis.

6.3 Fee income from CSC

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the **Group**). In the Group's financial year to 30 April 2004, the proportion of total fees payable by Capital Shopping Centres plc to the total fee income of the Group was less than five per cent. It is not anticipated that the total fees payable by CSC will exceed five per cent for the year to April 2005.

7. Basis of valuation and net annual rent

7.1 Market Value

The value of the Property has been assessed in accordance with the relevant parts of the current RICS Appraisal and Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term Market Value means "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 had each acted knowledgeably, prudently and without compulsion”.

In undertaking our valuations on the basis of Market Value we have applied the interpretive commentary which has been settled by the International Valuation Standards Committee and which is included in PS 3.2. The RICS considers that the application of the Market Value definition provides the same result as Open Market Value, a basis of value supported by previous editions of the Red Book.

7.2 Net annual rent

The net annual rent for the Property is referred to in the Schedule. Net annual rent is 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 property;
- (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.”

The Schedule also includes the estimated net annual rent of the Property. The estimated net annual rent is based on the current rental value of the Property. The rental value reflects the terms of the leases where the Property, or parts thereof, is let at the date of valuation. Where the Property, or parts thereof, is vacant at the date of valuation, the rental value reflects the rent we consider would be obtainable on an open market letting as at the date of valuation.

7.3 Taxation and costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

We have made deductions to reflect purchasers' acquisition costs.

Our investigations reveal that the Property falls within an area designated as a disadvantaged area under The Stamp Duty (Disadvantaged Areas) (Application of Exemptions) Regulations 2003. As such, the Property is not subject to stamp duty land tax on sale and our valuations reflect stamp duty land tax at a zero rate. It should be noted that the stamp duty land tax exemption on some properties could be liable for withdrawal at any time.

8. VAT

CSC has advised us that the option to tax has been exercised in respect of the Property.

The capital valuation and rentals included in this Valuation Report are net of value added tax at the prevailing rate.

9. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a “supposition taken to be true” (**Assumption**). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process.

In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the CSC's advisers have confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below: -

9.1 Title

We have not had access to the title deeds of the Properties. Save as disclosed in the Certificate of Title dated on or about 10 August 2004 prepared by Coudert Brothers, (the **Certificate of Title**), we have made an Assumption that the Property has good and marketable freehold title and that the Property is free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also assumed that the Property is free from mortgages, charges or other encumbrances.

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

Due regard has been paid to the apparent state of repair and condition of the Property, but we have not undertaken condition surveys, nor have we inspected woodwork or other parts of the structure which are covered, unexposed or inaccessible. However, we have been provided with a copy of a Due Diligence Building and Environmental Report prepared by Waterman Partnership Ltd dated January 2004 prepared (the **WP Report**). We have reflected the contents of the WP Report in undertaking our valuation. We have made an Assumption that save as disclosed in the WP Report the Property is free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations of any of the Property. For the purposes of these valuations, unless otherwise informed by CSC's advisers, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

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

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. We have made an Assumption that, save as disclosed in the WP Report, all services to the Property are functioning satisfactorily.

No allowance has been made in the valuation for any items of plant or machinery not forming part of the service installations of the Property. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Further, no account has been taken in our valuations of any goodwill that may arise from the present occupation of any of the Properties.

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

9.3 Environmental matters

The WP Report comments on environmental factors and contamination affecting the Property. In arriving at our valuation, we have sought to reflect our opinion of the market value on the basis of the information revealed by the WP Report. However, we have not discussed relevant environmental factors and contamination with Waterman Partnership Ltd in order to clarify any likely effects upon the use of the Property. We have not made allowances in our valuation for the anticipated costs of treatment of contamination outlined in the Report.

The WP Report states that monitoring of the site has shown some high concentrations of ground gas mainly in the south east and north west areas, however the production of gases are low and limited to a small area. We are aware that there have been several measures installed to combat this contamination including the installation of a gas cut off trench and gas venting under some of the car parks. However, the WP Report advises that the overall risk in regard to contamination and ground gas is “low-medium”.

Additionally, we are aware that the site is not on the local authority’s register of contaminated land sites, in respect of the Environmental Protection Act 1990 and the WP Report states that the site is “considered to be low risk”.

Matters related to contaminated land continue to generate considerable uncertainty both in terms of legal liability and impact on value and marketability. The Environmental Protection Act 1990 contained provisions with regard to liability for contaminated land. These provisions are potentially far-reaching in scope and while imposing primary liability for contamination upon the polluter, it also imposes liability upon the owner of the land either for knowingly permitting the use, or as a fall back when the polluter cannot be found, or no longer exists as a corporate entity.

We have sought to reflect in our opinion of Market Value the information available on contamination. However, law and practice in the area is rapidly changing and the approach being adopted by today’s market may prove to be inappropriate or unsustainable in the future. The value of the Property may, therefore, be subject to greater than usual change or fluctuation on this account.

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

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

In arriving at our valuation we have sought to reflect our opinion of the Market Value on the basis of the information revealed by the enquiries of Waterman Partnership Ltd.

9.4 Areas

We have relied upon the floor area measurements provided by the Applicant and have assumed that these measurements are calculated in accordance with the Code of Measuring Practice prepared by the RICS. As the Property is more than five years old, the majority of the units have been subject to measurements at rent review and thus agreed by landlord and tenant at this time. Notwithstanding this, we have conducted check measurements on site of ten units, including units on each level and of varying size. The check measurements are all within a reasonable overall tolerance.

9.5 Statutory requirements and planning

Verbal enquiries have been made of the relevant planning authority in whose area the Property lies as to the possibility of highway improvement proposals, comprehensive development schemes and other ancillary planning matters that could affect property values.

Save as disclosed in the Certificate of Title, it has been assumed that the Property has building regulation approvals, and that where necessary it has the benefit of a current Fire Certificate. It is further assumed that the property is not subject to any outstanding statutory notices as to its construction, use or occupation. No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and we have assumed that the property complies with all relevant statutory requirements.

Unless our enquiries have revealed the contrary, it has been further assumed that the existing use of the property is duly authorised or established and that no adverse planning condition or restriction applies.

We would draw your attention to the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required.

We have assumed that the uses or intended uses are not in any way in breach of Licensing Acts, the Registered Homes Act, Environmental Health Acts, or other statute governing the operations of the particular business.

We have read all the leases and related documents provided to us by the Company and Coudert Brothers. We have assumed that copies of all relevant documents have been sent to us and that they are complete and up to date.

We have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary, we have assumed that the tenants are financially in a position to meet their obligations. Unless otherwise advised, we have also assumed that there are no material arrears of rent or service charges, breaches of covenants, or current or anticipated tenant disputes. However, our valuations reflect the type of tenants actually in occupation, and the market's general perception of their creditworthiness.

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

9.6 Leasing

We have not read copies of the leases or other related documents but have relied on the tenancy summaries contained in the Certificate of Title for the purposes of our valuation. We confirm that as instructed the valuation has been based upon the tenancy position as at 13 May 2004.

We have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary we have made an Assumption that the tenants are financially in a position to meet their obligations. Unless otherwise informed by the Capital Shopping Centres plc's advisers we have also made an Assumption that there are no material arrears of rent or service charges, breaches of covenants, or current or anticipated tenant disputes.

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

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

9.7 Information

We have made an Assumption that the information CSC and its professional advisers have supplied to us in respect of the Property is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

10. Valuation

We are of the opinion that the market value of the freehold Property, subject to existing tenancies as at 13 May 2004 and to the assumptions and comments in this Report and in the Schedule was as follows:

£1,005,000,000
(One Billion and Five Million Pounds)

11. Confidentiality and disclosure

The contents of this Valuation Report and Schedule may be used only for the purpose of this Valuation Report. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained.

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

Yours faithfully

PAUL WOLFENDEN FRICS
CHARTERED SURVEYOR
DIRECTOR
FOR AND ON BEHALF OF
DTZ DEBENHAM TIE LEUNG LIMITED
ONE CURZON STREET, LONDON W1A 5PZ

THE SCHEDULE

Address	Description, Age, and Tenure	Terms of Existing Tenancies	Net Annual Rent	Estimated Net Annual Rent	Market Value
The Company's interest in Lakeside, Thurrock	A major out of town shopping centre close to the M25 just north of the Dartford River Crossing, east of London. The Property, constructed in 1989 and opened in 1990, comprises approximately 1.3m sq ft primarily arranged on two main fully enclosed, heated and comfort cooled malls. It overlooks a lake and is surrounded by 12,221 surface and multi-storey car spaces plus a bus/coach park. There are over 300 shops. The main malls comprise some 250 unit shops plus 10 anchors and major space users including Marks & Spencer, Argos, Alders, BHS, Boots, Debenhams, House of Fraser, W H Smith, Next and Woolworths. In addition there is a food court at third floor level, a shops/craft market, numerous restaurants and a seven screen cinema.	Leases are generally for 10 to 15 years with five yearly upward only rent reviews. Rents paid are based on the higher of 80% of rack rental value or a percentage of turnover. The leases are on effectively full repairing and insuring terms with landlord's costs reimbursed via a service charge. A limited number of units are let on leases reviewed to full 100% rack rental value.	£48,273,311	£55,252,756	£1,005,000,000

CREDIT STRUCTURE

1. Origination Process

In connection with the origination of the Issuer Term Loan, Eurohypo (as Loan Arranger) 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 Property. 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 Eurohypo (as Loan Arranger). 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 Issuer Term Loan. The property investment experience and expertise of the Borrower's sponsors were also factors taken into consideration in the lending analysis.

The Borrower will be obliged under a costs indemnity dated on or before the Closing Date to repay certain costs to the Loan Arranger in connection with the origination of the Issuer Term Loan.

2. Legal Due Diligence

Eurohypo (as Loan Arranger) also instructed English solicitors to carry out a review of the certificate of title prepared by English solicitors acting for the Borrower.

Eurohypo's solicitors and Eurohypo obtained general information relating to the proposed Issuer Term Loan including details of the Borrower's shareholders; the accounts to be operated in connection with the proposed facility; arrangements for the collection of rents and/or management of the Property including details of managing agents; and insurance of the Property.

Title and Other Investigation

A certificate of title (the **Certificate of Title**) being substantially in the City of London Law Society's standard form will be issued on or before the Closing Date by the Borrower's solicitors, for the benefit, among others, of Eurohypo and the Issuer.

The investigation required to provide the Certificate of Title included the usual review of title documentation and Land Registry entries (including any lease under which the Property was held) together with all usual Land Registry, Local Authority and other appropriate searches. In addition, all leases and tenancies affecting the Property 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 Certificate of Title.

Eurohypo's solicitors also reviewed the Certificate of Title issued by the Borrower's solicitors and confirmed the adequacy of the form and content of the Certificate of Title and highlighted any matters that they considered should be drawn to the attention of Eurohypo and the Valuer.

Eurohypo's solicitors have obtained written confirmation from the Valuer that the terms of the Certificate of Title were taken into account in the valuation.

Capacity of Borrower

Eurohypo's solicitors satisfied themselves that the Borrower 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 Borrower had complied with any necessary formalities.

Registration of Security

Following drawdown of the Issuer Term Loan, the solicitors acting for Eurohypo (as Loan Arranger) will ensure that all necessary registrations in connection with taking security are 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 the Property will be held by Eurohypo's solicitors to the order of the Loan Facility Agent. The Borrowers' solicitors will retain certain commercial leases for management purposes but will do so on the basis that they are held to the order of Eurohypo's solicitors.

Environmental and Structural Reports

Waterman Environmental have reviewed previous site investigations and recommendations in respect of the Property and report that most of the recommendations have been implemented and that the Property is reasonably well managed.

Regular gas monitoring has shown that there are concentrations of ground gas across the Property, particularly in the southeast and northwest areas. Gas protection measures have been installed on the Property and are considered by Waterman Environmental to be adequate for the concentrations of ground gas identified.

3. Credit Agreement

The principal documentation which will be entered into by the Borrower and the Issuer in relation to the Issuer Term Loan comprises the Credit Agreement, the Borrower Security Agreement and the Hedging Arrangements.

The Credit Agreement will be governed by English law. The Credit Agreement will contain the types of representations and warranties and undertakings on the part of the Borrower 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 outstanding principal balance of the Issuer Term Loan as at the close of business on the Closing Date will be £550,000,000.

The Borrower may, from time to time, request that the Issuer (as Initial Term Lender) or any other Term Lender increase its term commitment in a minimum amount of £5,000,000 and integral multiples thereafter of £1,000,000 by written notice to the Loan Facility Agent. If the relevant Term Lender agrees in writing to such a request, its total term commitment under the Credit Agreement will be increased accordingly. However, the Credit Agreement will place no obligation on the Issuer or any other Term Lender to make any further advance to the Borrower and the Servicer will not be permitted under the Servicing Agreement to agree to an amendment of the terms of the Credit Agreement on behalf of the Issuer or any other Term Lender that would require the Issuer to make any further advances to the Borrower.

The Borrower will also be entitled to request (with the consent of each Term Lender) that any Junior Lender assume a term commitment in a minimum amount of £5,000,000 and integral multiples thereafter of £1,000,000 by written request to the Loan Facility Agent.

No such additional lending under the Term Facility will be permitted unless all the Lenders consent to such additional lending and the Rating Agencies confirm that the then current ratings of each class of Notes will not be adversely affected.

Conditions precedent

The Issuer's obligation to make the Term Advance under the Credit Agreement will be subject to the Loan 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 will include, among other things: constitutional documents and board minutes for the Borrower, CSC, Liberty International and any other Subordinated Creditor, a valuation in respect of the Property, evidence of insurance cover in respect of the Property and the Loan Facility Agent being named as co-insured on any Insurance Policies, all title documents relating to the Borrower's interest in the Property, copies of all occupational leases and title searches related to the Property, security documents (and releases of existing security), a copy of the Borrower's VAT registration certificate and evidence that the Borrower has elected to waive exemption in relation to the Property and all relevant legal opinions and notices in connection with the assignment of rental income and charging of bank accounts and assignment of the Hedging Arrangements.

Interest and amortisation payments/repayments

Interest under the Issuer Term Loan will be paid quarterly in arrear on 31 January, 30 April, 31 July and 31 October in each year in respect of successive Loan Interest Periods.

Unless previously repaid, the Issuer Term Loan will be repayable in full on 31 July 2011.

Prior to the Loan Maturity Date, the Borrower will be required, on the Loan Interest Payment Date falling on 31 October 2006 and each Loan Interest Payment Date thereafter, to repay an amount of the Term Loans equal to the following specified percentages of the aggregate Term Loans outstanding:

- (a) if the Loan Interest Payment Date falls on or after 31 October 2006 and on or before 31 July 2008, 0.25 per cent.;
- (b) if the Loan Interest Payment Date falls after 31 July 2008 and on or before 31 July 2010, 0.5 per cent.; and
- (c) if the Loan Interest Payment Date falls after 31 July 2010, 0.625 per cent.

The Credit Agreement will permit the Borrower to prepay the Issuer Term Loan on any Loan Interest Payment Date in whole or in part (subject to a minimum of £5,000,000 and integral multiples of £5,000,000) by giving not less than 35 days' prior written notice to the Loan Facility Agent and subject to payment of the following prepayment fees:

- (a) if prepayment occurs before the first anniversary of the Closing Date, a fee of 1.00 per cent. of the amount of the Issuer Term Loan prepaid;
- (b) if prepayment occurs on or after the first anniversary of the Closing Date but on or before the second anniversary of the Closing Date, a fee of 0.50 per cent. of the amount of the Issuer Term Loan prepaid; and
- (c) if prepayment occurs after the second anniversary of the Closing Date, no prepayment fee shall apply.

Such prepayment fees will not be payable in circumstances where the Borrower prepays on account of (i) an increase in the the Lenders' costs arising out of a change of law or regulation which has been passed onto the Borrower, (ii) the Borrower is obliged to gross up interest payable on the Issuer Term Loan, (iii) it becomes unlawful for a Lender to give effect to any of its obligations under the Credit Agreement and a Lender requests repayment or (iv) there has been a failure of the Loan Facility Agent and the majority Lenders to consent to a change in shareholding of the Borrower as provided for in the Credit Agreement.

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

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

Accounts

All income and receivables in respect of the Property and all amounts payable to the Borrower under the Hedging Arrangements will be paid into a current account (the **Rent and General Account**) in the name of the Borrower. Monies standing to the Rent and General Account will then be distributed as follows:

- (a) an amount sufficient to meet the Borrower’s obligations under the Finance Documents falling due on the next Loan Interest Payment Date will be transferred into a debt service account (the **Debt Service Account**) in the name of the Borrower and charged to the Loan Facility Agent;
- (b) all value added tax received from any occupational lease in respect of the Property will be transferred into a deposit account (the **VAT Account**) in the name of the Borrower and charged to the Loan Facility Agent; and
- (c) any amounts received in respect of insurance costs and service charges under any occupational lease in respect of the Property will be transferred into a service charge account (the **Service Charge Account**) in the name of the Borrower and charged to the Loan Facility Agent.

The Rent and General Account, the Debt Service Account, the VAT Account and the Service Charge Account, together with all other accounts established in accordance with the Credit Agreement and charged as security for the Loans (including the Deposit Account), are referred to herein as the **Borrower’s Accounts**.

Under the Credit Agreement, each Borrower’s Account must be maintained with a bank that has a rating of at least “F1” by Fitch, “P-1” by Moody’s or “A-1+” by S&P for its short-term debt obligations and “A” by Fitch, “A1” by Moody’s or an “A” by S&P for its long-term debt obligations.

For more detailed information see “6. *Borrower’s Accounts*” below.

Hedging obligations

Under the terms of the Credit Agreement, the Borrower will be 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 Issuer Term 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 Property and which does not vary according to prevailing interest rates).

Pursuant to the Credit Agreement, the Borrower has entered into Hedging Arrangements in respect of the Term Loans (the **Term Hedging Arrangements**) with the Senior Hedge Counterparties, each of which has a requisite rating of at least “F1” by Fitch, “P-1” by Moody’s and “A-1” by S&P for its short-term debt obligations and “A1” by Moody’s for its long-term debt obligations or, in the

case of Eurohypo, has arranged to transfer collateral to the Borrower in an amount acceptable to the Rating Agencies pursuant to a credit support annex in respect of its obligations under the Hedging Arrangements.

In addition, under the terms of the Credit Agreement, the Term Hedging Arrangements must at any time have an aggregate notional amount not less than the aggregate amount of the Term Loans then outstanding, such that at all times the Borrower's obligations under the Term Loans will be fully hedged against adverse movements in prevailing interest rates. Under the Credit Agreement, the Borrower will be entitled but not required to enter into Hedging Arrangements in respect of Junior Loans (the **Junior Hedging Arrangements**) and any obligations to counterparties in respect of the Junior Hedging Arrangements will rank *pari passu* with the Junior Loans and behind interest and principal under the Term Loans pursuant to the priority of payments set forth in the Credit Agreement.

If at any time the notional amount of the Term Hedging Arrangements exceeds 100 per cent. of the aggregate amount of the Term Loans then outstanding, the Borrower will either:

- (a) reduce the notional amount of the Term Hedging Arrangements by an amount and in a manner satisfactory to the Loan Facility Agent (acting reasonably) to reflect the aggregate amount of the Term Loans then outstanding; or
- (b) with the prior consent of the relevant Senior Hedge Counterparties, convert Term Hedging Arrangements to Junior Hedging Arrangements in an amount equal to the lesser of (i) the amount by which the total Term Hedging Arrangements exceed the aggregate amount of the Term Loans then outstanding and (ii) the aggregate amount of the Junior Loans or Term-out Loans outstanding in respect of which there are no Junior Hedging Arrangements.

Subject to agreement with the relevant counterparty, the Borrower will be entitled to terminate Hedging Arrangements so long as the Borrower has entered into substitute Hedging Arrangements with counterparties having the minimum ratings referred to above in accordance with the terms of the Credit Agreement.

Neither the Borrower nor a counterparty to any Hedging Arrangements will be entitled to amend or waive the terms of any Hedging Arrangements without the consent of the Loan Facility Agent (such consent not to be unreasonably withheld or delayed where the relevant counterparty is also a Lender).

Except as set forth above, neither the Borrower nor a counterparty to any Hedging Arrangements will be permitted to terminate or close out any Hedging Arrangements except:

- (a) in case of illegality;
- (b) where all outstanding amounts under the Finance Documents have been paid in full;
- (c) after an acceleration of all or part of the Loans (in the case of a counterparty to the Hedging Arrangements);
- (d) as permitted by the terms of the Hedging Arrangements and with the consent of the Loan Facility Agent; or
- (e) upon the request of the Loan Facility Agent as a result of a counterparty to the Hedging Arrangements failing to comply with the provisions of the relevant Hedging Arrangements regarding a Rating Event (as defined below).

If at any time any counterparty to the Hedging Arrangements ceases to have the requisite rating specified above and/or following such a cessation experiences a further ratings downgrade specifically described in the 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 the Borrower;
- (b) transferring all of its rights and obligations with respect to the relevant 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 Hedging Arrangements,

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

Representations and warranties

The representations and warranties to be given by the Borrower under the Credit Agreement, as of the date of the Credit Agreement, the date of drawdown and (subject to certain exceptions) each Loan Interest Payment Date, will include, among other things, the following statements:

- (a) the Borrower is duly incorporated as a limited liability company under the laws of England and Wales and has the 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 the Borrower and not conflict with any applicable law or regulation or any document binding on it or the constitutional documents of the Borrower;
- (b) no Loan Default is outstanding or will likely result from the making of the Term Loans or any Junior 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 Borrower is the legal and beneficial owner of the Property and has good and marketable title to the Property, in each case free from any security interests (other than those set out in the Borrower Security Agreement and the Related Security);
- (e) the security conferred by the Borrower Security Agreement and the Related Security constitutes a first priority security interest over the assets referred to in each agreement and the assets are not subject to any prior or *pari passu* security interests (other than preferred claims arising from applicable bankruptcy or insolvency laws) and which are not liable to avoidance on liquidation or administration;
- (f) no litigation, arbitration or administrative proceedings are to the knowledge of the Borrower current or threatened which, if adversely determined, are reasonably likely to have a material adverse effect;
- (g) all information supplied by the Borrower to the Loan Arranger, the Lenders and the Loan Facility Agent, among others, in connection with the Finance Documents was true, accurate and complete in all material respects as at its date and did not omit at its date any information which made the information supplied misleading in any material respect;
- (h) 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 at its date any information which might adversely affect the Valuation in any material respect;
- (i) the accounts of the Borrower most recently delivered to the Loan Facility Agent have been prepared in accordance with accounting principles and practices generally accepted in the

United Kingdom and fairly represent the financial condition of the Borrower as at the date to which they were drawn up, and as at the first drawdown date there has been no material adverse change in the financial condition of the Borrower since the date of the accounts;

- (j) since the date it became a subsidiary of CSC, the Borrower has neither carried on any business (other than ownership, development, extension, refurbishment and management of its interest in the Property) nor entered into any material agreements (other than the Finance Documents and agreements connected with the construction, acquisition, ownership and management of the Property permitted under the Finance Documents);
- (k) the Borrower has no subsidiary; and
- (l) as at the date of the Credit Agreement:
 - (i) the Borrower is wholly owned by CSC; and
 - (ii) all of CSC's issued share capital is ultimately beneficially owned by Liberty International.

Undertakings

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

- (a) to provide the Loan Facility Agent with financial information on an ongoing basis, including audited accounts, as soon as possible at the end of each financial year;
- (b) to supply the details of any shareholder or creditor documentation;
- (c) to supply details of any litigation, arbitration or administrative proceedings which are current or threatened and which are reasonably likely to, if adversely determined, have a material adverse effect;
- (d) to notify the Loan Facility Agent promptly of any Loan Event of Default;
- (e) to procure that the Borrower's obligations under the Finance Documents rank at least *pari passu* with all other present and future unsecured obligations (other than obligations mandatorily preferred by law) and not to create or permit any security interest to arise over any of its assets (other than certain other customary exceptions) and not (without the consent of the majority Lenders and subject to customary exceptions) to sell, transfer, lease or otherwise dispose of all or any part of its assets;
- (f) not to enter into any amalgamation, demerger, merger or reconstruction without the consent of the majority Lenders or acquire any assets or business or make any investments other than its interests in the Property or the construction, acquisition, ownership and management of the Property;
- (g) not to make any loans or provide any other form of credit or to give any guarantee or indemnity to any person (other than certain other customary exceptions);
- (h) not to incur any unsubordinated financial indebtedness in an amount greater than £1,000,000 (other than indebtedness incurred under the Finance Documents or trading counter-indemnities);
- (i) not to enter into any contracts other than the Finance Documents or contracts in connection with the construction, acquisition, ownership and management of the Property or otherwise as permitted under the Credit Agreement;

- (j) not to declare or pay any dividend or make any distribution in respect of its shares, except where no Loan Event of Default is outstanding and sufficient monies are left in the Rent and General Account after such payment to meet the liabilities of the Borrower as they fall due;
- (k) not to carry on any business other than the ownership and management of its interests in the Property and any activities carried on in accordance with good management of the Property or to have any subsidiaries;
- (l) to procure that more than 50 per cent. of its entire issued share capital is ultimately beneficially owned by Liberty International unless the majority Lenders have consented to a change in ownership after having been satisfied that (i) following any change in ownership CSC will continue to manage the Property on behalf of the Borrower, or (ii) the acquirer of the Borrower is a company experienced in the ownership and management of UK regional shopping centres;
- (m) to comply with certain customary undertakings regarding the administration of occupational leases and the appointment of managing agents in respect of the Property;
- (n) to maintain insurance on the Property on a full reinstatement value basis together with a further amount equal to 12.5 per cent. of the full reinstatement cost (on terms acceptable to the Loan Facility Agent) and not less than five years' loss of rent on all occupational leases together with third party liability insurance and insurance against acts of terrorism (to the extent available in the UK and European insurance markets) and to procure that the Loan 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 (or a group of insurance companies or underwriters) that:

- (i) has a long term credit rating or a financial strength rating (or, in the case of a group of insurance companies or underwriters, the weighted average thereof) of at least "A" (or its equivalent) by Fitch, "A" (or its equivalent) by S&P or satisfactory to Moody's; or
 - (ii) is recommended by the Borrower's insurance broker in a letter to the Loan Facility Agent and the Borrower to be delivered at least annually; or
 - (iii) is otherwise acceptable to the Loan Facility Agent (acting reasonably);
- (o) not to enter into any contract in connection with the refurbishment, remodelling, extension of existing space or other development of the Property without the consent of the Loan Facility Agent (such consent not to be unreasonably withheld or delayed) where the costs of such works exceed £30,000,000 or the aggregate works relate to space in excess of 150,000 ft², unless:
- (a) the works relate to the Pavilion market area (within certain limits);
 - (b) the works relate to replacement, restoration or reinstatement of the Property funded by insurance proceeds in accordance with the Credit Agreement; or
 - (c) the Borrower has satisfied the Loan Facility Agent that:
 - (A) no Loan Default is outstanding or likely to arise as a result of the works;
 - (B) the works will not result in the rent payable under all occupational leases being reduced by more than five per cent. unless otherwise agreed by the Loan Facility Agent acting reasonably;
 - (C) committed funding is in place to meet the entire costs of the works; and
 - (D) the works once completed will not have any adverse effect on the long term value of the Property;

- (p) to institute and maintain a programme of environmental monitoring in respect of the Property;
- (q) to maintain projected annual net rental income as a percentage of projected annual finance costs, each as estimated from time to time by the Loan Facility Agent, (the **Interest Cover Percentage**) up to (but excluding) the third anniversary of the Closing Date of at least 110 per cent. and thereafter of at least 120 per cent.

In the case of breach of this **paragraph (q)**, the Borrower will be entitled or, at the direction of the Loan Facility Agent, required to prepay the Loans in an amount not less than £1,000,000 to ensure compliance with the specified Interest Cover Percentage or to deposit an amount into a deposit account (the **Deposit Account**) so that if the interest which will accrue on that amount during the relevant twelve month period was treated as net rental income the Borrower would be in compliance with the specified Interest Cover Percentage or, if the Interest Cover Percentage at that time is within five per cent. of the specified figure, an amount equal to 200 per cent. of the additional amount of net rental income which is required to be received by the Borrower to ensure compliance with the specified Interest Cover Percentage. The funds to be deposited into the Deposit Account may be funded by a loan from a Lender, in which case the loan will be payable on demand on any Loan Interest Payment Date or after any acceleration of the Loans and bear interest at the default rate under the Credit Agreement; and

- (r) to ensure that the aggregate amount outstanding of all Loans under the Credit Agreement as a percentage of the open market value of the Property determined in accordance with the most recent valuation of the Property by the Valuer (other than in the case of **sub-paragraph (i)** below, which shall be based upon the initial Valuation (the **Loan to Value Ratio**) does not exceed:
 - (i) 70 per cent. on each drawdown date;
 - (ii) 90 per cent. at any time; and
 - (iii) 80 per cent. at any time during the period falling 18 months prior to 31 July 2011.

In the case of breach of sub-paragraph (ii) above, the Borrower will be entitled or, at the direction of the Loan Facility Agent, required to deposit an amount into the Deposit Account so that after calculating the aggregate amount outstanding of the Loans as reduced by that amount, the Loan to Value Ratio does not exceed 80 per cent. The funds to be deposited into the Deposit Account may be funded by a loan from a Lender, in which case the loan will be on payable on demand on any Loan Interest Payment Date or after any acceleration of the Loans and bear interest at the default rate under the Credit Agreement.

Events of default

The Credit Agreement will contain usual events of default entitling the Issuer and any other Lenders (subject always, as between Lenders, to the terms of the Intercreditor Agreement and, in certain cases, to customary grace periods and materiality thresholds) to accelerate the Loans 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 (other than where it arises as a result of the Loan Facility Agent not applying monies in an account);
- (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) the financial indebtedness of the Borrower is not paid when due or within any applicable grace period or is accelerated or placed on demand or the security interests securing such indebtedness become enforceable;

- (e) the Borrower 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 ceases or, threatens to cease, to carry on all or a substantial part of its business;
- (g) it is or becomes unlawful for the Borrower or a Subordinated Creditor to perform any of its obligations under any Finance Documents;
- (h) the Borrower Security Agreement, the Mortgage of Shares 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;
- (i) the compulsory purchase of all or part of the Property by local authorities, unless the Loan Facility Agent determines that (i) the value of the part of the Property to be purchased is less than £1,000,000, or (ii) the Borrower will still be in compliance with its Interest Cover Percentage and Loan to Value Ratio undertaking following a revaluation of the Property excluding that part of the Property to be purchased.
- (j) the destruction or material damage to the Property and in the reasonable opinion of the majority Lenders the destruction or damage will have a material adverse effect (taking into account the expected proceeds of the Insurance Policies); and
- (k) an event occurs (other than a general reduction in the value of property in the United Kingdom or as evidenced by a new valuation of the Property) which has a material adverse effect on the Borrower's ability to comply with any of the Finance Documents.

In relation to non-payment and breaches of other obligations, the Credit Agreement will include customary grace periods, but in no instance will these grace periods be for periods longer than one Business Day or 21 days, respectively.

Upon the occurrence of a Loan Event of Default which has not been remedied within the applicable grace period, the Loan Facility Agent may by notice to the Borrower cancel any outstanding commitments under the Credit Agreement, demand that all or part of the Loans together with accrued interest and all other amounts accrued under the Finance Documents become immediately due and payable, demand that all or part of the Loans become payable on demand and/or apply monies standing to the credit of the Borrower's Accounts towards repayment of any amount due to any party under the Finance Documents.

4. Loan Security

The Borrower Security Agreement will secure, among other things, all the obligations of the Borrower to the Issuer pursuant to the Credit Agreement and will be drafted on a security trust basis, so that the Loan Facility Agent will hold the security created pursuant to the Borrower Security Agreement on trust for the Borrower Secured Creditors.

Creation of security

The Borrower Security Agreement will grant in favour of the Loan Facility Agent a first ranking charge by way of legal mortgage over the Property and any other properties belonging to the Borrower (other than the Coach Station, West Thurrock, Essex) and a first fixed charge over, among other things, any plant and machinery belonging to the Borrower, the Debt Service Account and any other Borrower's Account, the benefit of any insurance policy relating to the Property, book and other debts of the Borrower, the Borrower's rights under the Hedging Arrangements and under each occupational lease in respect of the Property.

In addition, the Borrower will assign absolutely to the Loan Facility Agent by way of security its interests in all rental income, any guarantee of rental income contained in or relating to any occupation lease in respect of the Property and the Hedging Arrangements.

The Borrower will also grant a first floating charge in favour of the Loan Facility Agent over all of its assets not otherwise mortgaged, charged or assigned by way of fixed mortgage or charge or assignment under the Borrower Security Agreement.

Representations and warranties

The representations and warranties to be given by the Borrower under the Borrower Security Agreement, as of the date of the Borrower Security Agreement, the date of drawdown and (subject to certain exceptions) on each Loan Interest Payment Date, will include statements to the effect that, among other things, the information provided to the solicitors preparing any Report on Title was true in all material respects as at the date given and did not omit any information which would make the information provided untrue or misleading in any material respect, the Borrower is the legal and beneficial owner of the Property, that there is no breach of any law or regulation that might materially affect the value of the Property nor is there any facility or right required for the necessary enjoyment and use of the Property that is liable to be terminated or curtailed and that the Property is free from any security interest (other than any security interests created pursuant to the Borrower Security Agreement) 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 will be qualified (to the extent applicable) by the report on title in relation to the Property and, in the case of certain representations and warranties, to those matters of which the Borrower is aware.

Undertakings

The Borrower will undertake under the Borrower Security Agreement, among other things, not to create or permit any security interest over its assets (other than any security interest created pursuant to the Borrower Security Agreement) or sell, transfer, lease or otherwise dispose of any asset charged as security (save for assets charged by way of floating security only and disposed of in the ordinary course of business or as permitted under the Credit Agreement), to comply with the terms of the Borrower Security Agreement, to comply with all provisions of any applicable environmental laws, to give notice of the security interests granted under the Borrower Security Agreement to the Account Bank, the counterparties to the Hedging Arrangements and, following a Loan Event of Default, each occupational tenant of the Property and to procure and keep the Property in good and substantial repair.

Enforceability

The security to be created by the Borrower Security Agreement will only be enforceable once a Loan Event of Default has occurred. The charge will confer upon the Loan Facility Agent and any receiver appointed by it a wide range of powers in connection with the sale or disposal of the Property and its management, and each of them will be granted a power of attorney on behalf of the Borrower in connection with the enforcement of its security.

Related security

In addition to the Borrower Security Agreement, the Issuer Term Loan will be secured by various further related security.

The Mortgage of Shares will create a first fixed equitable charge over all shares in the Borrower and all associated rights. Under the Mortgage of Shares, CSC will give the usual representations as to, among other things, its incorporation and due authority and also undertake in the usual

manner, among other things, not to further charge, sell, transfer or otherwise dispose of the Borrower's shares.

The obligations of the Borrower to the Subordinated Creditors will be fully subordinated to all amounts due to the Borrower Secured Creditors under the Credit Agreement pursuant to the Subordination Deed. Under the Subordination Deed, the Borrower will undertake, among other things, not to secure any part of the subordinated liabilities and not to repay all or any part of the subordinated liabilities. The latter undertaking will be qualified to the extent that surplus monies released to the Borrower from the Rent and General Account can be used to make such payments. Each Subordinated Creditor will give the usual undertakings, including, in particular, that it will not take any steps leading to the administration, winding up or dissolution of the Borrower.

CSC Lakeside Property Management Limited will be appointed as managing agent of the Property and will undertake pursuant to the Duty of Care Agreement to ensure that all rental income from the Property is paid into the Rent and General Account and the net amount (after deductions of service charge amounts and value added tax) transferred into the Debt Service Account (without set-off or counterclaim) and to notify the Issuer of any material breach or default on the part of a tenant or occupier of the Property, or of any damage to the Property. Any rental income in the possession of the Managing Agent will be held in a separate account on trust for the Borrower until transferred to the Borrower's possession.

5. Intercreditor Agreement

Pursuant to the terms of the Intercreditor Agreement, the Issuer, Eurohypo (in its capacity as Initial Junior Lender), the Senior Hedge Counterparties, the Counterparties to the Junior Hedging Arrangements and the Loan Facility Agent have established the priorities of payment and subordination between the Issuer Term Loan, the Junior Loans and the Hedging Arrangements.

Prior to the occurrence of a Material Loan Event of Default, amounts standing to the credit of the Rent Account will be applied as follows:

- (a) *first*, towards payment of any unpaid fees, costs and expenses of the Loan Facility Agent;
- (b) *secondly*, towards payment *pro rata* of any periodic payments (not being payments as a result of termination or closing out of the Term Hedging Arrangements) due to the Senior Hedge Counterparties under the Term Hedging Arrangements and any accrued interest on due on the Term Loans under the Finance Documents;
- (c) *thirdly*, towards payment *pro rata* of any payments (not being payments referred to in **sub-paragraph (f)** below) due to the Senior Hedge Counterparties as a result of termination or closing out of the Term Hedging Arrangements and any principal amount of the Term Loans due under the Finance Documents;
- (d) *fourthly*, towards payment *pro rata* of any periodic payments (not being payments as a result of termination or closing out of the Junior Hedging Arrangements) due to any counterparty to the Junior Hedging Arrangements and any accrued interest on the Junior Loans due under the Finance Documents;
- (e) *fifthly*, towards payment *pro rata* of any payments (not being payments referred to in **sub-paragraph (g)** below) due to any counterparty to the Junior Hedging Arrangements as a result of termination or closing of the Junior Hedging Arrangements and any principal amount of the Junior Loans due under the Finance Documents;
- (f) *sixthly*, towards payment *pro rata* of any payments as a result of termination of the Term Hedging Arrangements arising from it becoming illegal for one or more of the Senior Hedge Counterparties to comply with its obligations under the Term Hedging Arrangements, an event of default relating to one or more of the Senior Hedge Counterparties or a counterparty

to the Hedging Arrangements failing to comply with the provisions of the relevant Hedging Arrangement regarding a Rating Event;

- (g) *seventhly*, towards payment *pro rata* of any payments as a result of termination of the Junior Hedging Arrangements arising from it becoming illegal for one or more of the counterparties to the Junior Hedging Arrangements to comply with its obligations under the Junior Hedging Arrangements, an event of default relating to one or more of the counterparties to the Junior Hedging Arrangements or a counterparty to the Junior Hedging Arrangements failing to comply with the provisions of the relevant Hedging Arrangement regarding a Rating Event;
- (h) *eighthly*, towards payment *pro rata* of any other amounts due under the Finance Documents; and
- (i) *ninthly*, payment of any surplus to the Rent and General Account.

Following the occurrence of a Material Loan Event of Default, amounts standing to the credit of the Debt Service Account will be applied as follows:

- (a) *first*, towards payment of any unpaid fees, costs and expenses of the Loan Facility Agent or any receiver, attorney or agent appointed in respect of the Loan Security;
- (b) *secondly*, towards payment of any fees, costs and expenses of the Issuer and the Senior Hedge Counterparties and (to the extent incurred in taking action requested by the Loan Facility Agent) the Junior Lenders and the counterparties to the Junior Hedging Arrangements in connection with any enforcement action;
- (c) *thirdly*, towards payment *pro rata* of any periodic payments (not being payments as a result of termination or closing out of the Term Hedging Arrangements) due but unpaid to the Senior Hedge Counterparties under the Term Hedging Arrangements and any accrued but unpaid interest on the Term Loans under the Finance Documents;
- (d) *fourthly*, towards payment *pro rata* of any payments (not being payments referred to in **sub-paragraph (h)** below) due but unpaid to the Senior Hedge Counterparties as a result of termination or closing out of the Term Hedging Arrangements and any principal amount of the Term Loans due but unpaid under the Finance Documents;
- (e) *fifthly*, towards payment *pro rata* of each loan from a Lender to cure a breach of the Borrower's obligations with respect to the Interest Cover Percentage and the Loan to Value Ratio undertakings set forth in the Credit Agreement;
- (f) *sixthly*, towards payment *pro rata* of any periodic payments (not being payments as a result of termination or closing out of the Junior Hedging Arrangements) due but unpaid to any counterparty to the Junior Hedging Arrangements and any accrued but unpaid interest on the Junior Loans under the Finance Documents;
- (g) *seventhly*, towards payment *pro rata* of any payments (not being payments referred to in **sub-paragraph (i)** below) due but unpaid to any counterparty to the Junior Hedging Arrangements as a result of termination or closing out of the Junior Hedging Arrangements and any principal amount of the Junior Loans due but unpaid under the Finance Documents;
- (h) *eighthly*, towards payment *pro rata* of any payments as a result of termination of the Term Hedging Arrangements arising from it becoming illegal for one or more of the Senior Hedge Counterparties to comply with its obligations under the Term Hedging Arrangements, an event of default relating to one or more of the Senior Hedge Counterparties or a counterparty to the Hedging Arrangements failing to comply with the provisions of the relevant Hedging Arrangement regarding a Rating Event;
- (i) *ninthly*, towards payment *pro rata* of any payments as a result of termination of the Junior Hedging Arrangements arising from it becoming illegal for one more of the counterparties to

the Junior Hedging Arrangements to comply with its obligations under the Junior Hedging Arrangements, an event of default relating to one or more of the counterparties to the Junior Hedging Arrangement or a counterparty to the Junior Hedging Arrangements failing to comply with the provisions of the relevant Hedging Arrangement regarding a Rating Event;

- (j) *tenthly*, towards payment *pro rata* of any other amounts due but unpaid under the Finance Documents; and
- (k) *eleventhly*, payment of any surplus to the Borrower or any other person entitled thereto.

Material Loan Event of Default means (a) a failure to pay on the due date any amounts due to the Loan Facility Agent, the Issuer or a Senior Hedge Counterparty under the Term Facility; or (b) taking into account the Term Loans only, a breach of the Borrower's undertakings under the Credit Agreement with respect to the Interest Cover Percentage or the Loan to Value Ratio.

Under the Intercreditor Agreement, no party will be permitted, without the consent of all Lenders (and except in cases of routine administrative or procedural changes), to amend or waive any term of, or give any consent under, the Finance Documents in a manner that would, among other things, result in: (a) an increase in the amount of any payment under the Finance Documents; (b) any payment being required to be paid earlier or more frequently than originally provided; (c) any delay or reduction in payment to a Junior Lender; (d) any change in the calculation of payments under the Finance Documents; (e) the Borrower becoming liable to make any additional payments; (f) any change to the Interest Cover Percentage or the Loan to Value Ratio undertakings; (g) a material amendment or waiver to the Borrower Security Agreement or the Mortgage of Shares; or (h) any change to the ranking or subordination achieved by the Intercreditor Agreement.

Notwithstanding provisions for the consent of the majority Lenders in the Credit Agreement, no such consent will be permitted under the Intercreditor Agreement without the agreement of the majority Junior Lenders with respect to, among other things, the creation of any charge over the Borrower's assets, any disposals of the Borrower's assets, any mergers or acquisitions in respect of the Borrower's business, the share ownership of the Borrower, the administration of occupational leases in respect of the Property or a Loan Event of Default as a result of insolvency, material damage to the Property or a material adverse effect on the Borrower's ability to comply with the Finance Documents.

In addition, after the occurrence of a Loan Event of Default (other than a Loan Event of Default arising because of the Borrower's insolvency), the Junior Lenders will have the right to prevent an enforcement action under the Credit Agreement by serving notice to the Issuer (within five Business Days after the occurrence of such a Loan Event of Default) of their intention to remedy the applicable Loan Event of Default (a **Remedy Notice**) within five Business Days of service of such notice. Upon serving a Remedy Notice, the Junior Lenders will have five Business Days to remedy the relevant Loan Event of Default, after which time the Issuer will be permitted to seek enforcement action in accordance with the Credit Agreement. The Junior Lenders may take whatever action they consider appropriate to remedy a Loan Event of Default, including making a loan to the Borrower in accordance with the Credit Agreement, payment on the Borrower's behalf, or making a loan to the Borrower for deposit into the Deposit Account in accordance with the Credit Agreement (a **Cure Loan**). A **Subsidy Loan** is a Cure Loan made in the context of a breach of the Interest Cover Percentage undertaking effected by way of a payment to the Deposit Account of an amount equal to 200 per cent. of the additional amount of net rental income which is required to be receipted by the Borrower to ensure compliance with the specified Interest Cover Percentage. There will be no limit on the Junior Lenders' right to remedy a Loan Event of Default, other than remedy by means of a Subsidy Loan, which remedy will be limited to no more than six times during the life of the Issuer Term Loan and no more than two consecutive times within any twelve month period.

Furthermore, the Junior Lenders will have the right, upon a failure to pay any amounts due under the Credit Agreement or a breach of the Borrower's undertakings under the Credit Agreement with

respect to the Interest Cover Percentage or the Loan to Value Ratio or an insolvency related Loan Events of Default, to purchase or arrange for another party to purchase all of the Term Loans by means of transfer under the Credit Agreement by notice to the Loan Facility Agent. There will be no limit on the Junior Lenders right to purchase the Term Loans pursuant to the Intercreditor Agreement.

Under the terms of the Intercreditor Agreement, the Junior Lenders will be prevented from taking enforcement action unless (a) the relevant Loan Event of Default is still outstanding at the end of its specified standstill period (as described below) or the Term Loans have been accelerated and (b) the market value of the Property is greater than 120 per cent. of the then outstanding Term Loans as determined in accordance with the Valuation or any subsequent valuation requested by the Lenders. The Intercreditor Agreement will provide for standstill periods of 90 days for any Loan Event of Default that is a payment default of principal, interest, fees or any other amount in respect of the Junior Loans, 120 days for any Loan Event of Default which is a failure to comply with the Borrower's Interest Cover Percentage or Loan to Value Ratio undertakings and 150 days for any other Loan Event of Default, in each case from the date the Loan Facility Agent receives notice of such default from the Junior Lenders.

The Loan Facility Agent will also be prevented, without the consent of the majority Junior Lenders, to take any enforcement action with respect to (a) a payment default relating solely to a Junior Loan; (b) a breach of the Borrower's undertakings with respect to the Interest Cover Percentage or the Loan to Value Ratio to the extent that such breach relates solely to the Junior Loans (i.e., would not be breached by taking into account the Term Loans only) or insofar as a loan has been made to the Borrower to remedy such breach by deposit into the Deposit Account (as described above).

Each party to the Intercreditor Agreement will have the right to assign or otherwise transfer any debt owed to it under the Credit Agreement or its rights and obligations under the Finance Documents to any person if the assignment or transfer is permitted under the Credit Agreement and that person agrees to be bound by the terms of the Intercreditor Agreement by executing and delivering an accession agreement to the Loan Facility Agent. Upon execution and delivery of an accession agreement and the fulfilment of certain other conditions precedent, the transferor will be relieved of all obligations and liabilities under the Finance Documents and such obligations and liabilities will be assumed by the transferee under the accession agreement.

6. Borrower's Accounts

The Credit Agreement will require the Borrower to establish bank accounts into which rental income and other monies received by the Borrower will be required to be paid. CSC Lakeside Property Management Limited in its capacity as the Managing Agent will ensure that all rent, service charge payments and value added tax in respect of the Property is paid into the Rent and General Account and transferred into the appropriate Borrower's Account, being either the Debt Service Account, the Service Charge Account or the VAT Account (each as described more fully below). Any rental income received by the Managing Agent will be held in a separate account on trust for the Borrower until transferred to the Borrower's possession.

Each Borrower's Account will be expressed to be the subject of a first fixed charge in favour of the Loan Facility Agent on trust for the benefit of the Borrower Secured Creditors. Following a Loan Event of Default, the Loan Facility Agent will be able to assume signing rights and control over such accounts.

Debt Service Account

Under the terms of the Credit Agreement, the Borrower will be obliged to ensure that sufficient amounts are standing to the credit of the Debt Service Account no later than two Business Days prior to any Loan Interest Payment Date to enable it to meet its obligations under the Finance Documents on that Loan Interest Payment Date.

The Loan Facility Agent will have sole signing rights in relation to the Debt Service Account and will be irrevocably authorised on each Loan Interest Payment Date and following a Loan Event of Default to apply amounts standing to the credit of the Debt Service Account towards payment of the Borrower's obligations under the Finance Documents.

Service Charge Account

The Borrower will be required to transfer any amounts in respect of insurance costs and service charges received by it (or the Managing Agent) under an occupational lease in respect of the Property into the Service Charge Account. Under the terms of the Credit Agreement, the Borrower or, following a Loan Event of Default, the Loan Facility Agent will be permitted to apply amounts standing to the credit of the Service Charge Account in or towards the purposes for which it was paid under the relevant occupational lease.

VAT Account

The Borrower will be required to transfer any amounts of value added tax received by it (or the Managing Agent) under an occupational lease in respect of the Property into the VAT Account. Under the terms of the Credit Agreement, the Borrower will be permitted to withdraw any amounts from the VAT Account to meet its obligations to H M Customs & Excise with respect to value added tax. Following a Loan Event of Default, the Loan Facility Agent will be permitted to apply amounts standing to the credit of the VAT Account to meet the Borrower's obligations under the Finance Documents.

Rent and General Account

The Borrower will retain any amounts received by it (or the Managing Agent) (other than any amounts required under the Credit Agreement to be transferred into any other Borrower's Account) in the Rent and General Account. Subject to any restrictions in the Subordination Deed and prior to a Loan Event of Default, the Borrower will be permitted to withdraw any amount from the Rent and General Account. Following a Loan Event of Default, the Loan Facility Agent will be permitted to apply amounts standing to the credit of the Rent and General Account to meet the Borrower's obligations under the Finance Documents.

Other Borrower's Accounts

The Borrower may or, at the direction of the Loan Facility Agent, will deposit sufficient amounts into the Deposit Account to enable it to meet its obligations under the Credit Agreement with respect to the Interest Cover Percentage and the Loan to Value Ratio undertakings. Amounts deposited into the Deposit Account to meet such obligations (together with any interest) may be applied firstly to repay outstanding cure loans (if any) and secondly to the Rent and General Account if, without taking into account any amount deposited into the Deposit Account, (i) the Borrower has complied with its obligations with respect to the Interest Cover Percentage for the two immediately preceding Loan Interest Payment Dates, and (ii) the Loan to Value Ratio is less than 75 per cent..

Monies received in respect of any credit support annex entered into in connection with the Hedging Arrangements will be deposited into a deposit account (the **CSA Account**) in the name of the Borrower and dealt with in accordance with the terms of such credit support annex and the Credit Agreement. Upon termination of all transactions in respect of any Hedging Arrangements, the Loan Facility Agent shall pay to the counterparty in respect of such Hedging Arrangement an amount representing any excess collateral standing to the Credit of the CSA Account in priority to any other Borrower Secured Creditor.

The Borrower will also open and maintain a payments account, a petty cash account and one or more tenant deposit accounts to be used in connection with the day-to-day management of the Property and the occupational leases in respect thereof.

7. Issuer's Accounts

Issuer Transaction Account

Pursuant to a bank account agreement dated on or before the Closing Date (the **Bank Agreement**), the Account Bank will open and maintain an account in the name of the Issuer (the **Issuer Transaction Account**) into which the Servicer will instruct the Loan Facility Agent to transfer all amounts of principal, premium (if any) and interest and other amounts paid by the Borrower in respect of the Issuer Term Loan and in accordance with the provisions of the Intercreditor Agreement. The Servicer will make all other payments required to be made on behalf of the Issuer from the Issuer Transaction Account in accordance with the Servicing Agreement.

Liquidity Stand-by Account

Any Liquidity Stand-by Drawing which the Issuer may make from the Liquidity Bank (see "8. Liquidity Facility" below) will be credited to an account in the name of the Issuer (the **Liquidity Stand-by Account** and, together with the Issuer Transaction Account, the **Issuer's Accounts**) with the Liquidity Bank or, if the Liquidity Bank ceases to have at least an "F1" rating (or its equivalent) by Fitch, a "P-1" rating (or its equivalent) by Moody's and an "A-1+" rating (or its equivalent) by S&P for its short-term, unguaranteed, unsecured and unsubordinated debt obligations (the **Requisite Rating**), any bank which has the Requisite Rating.

8. Liquidity Facility

To moderate the risk of Available Issuer Income (as defined below) being insufficient to cover all interest payments due under the Notes, the Issuer will enter into a liquidity facility agreement dated on or before the Closing Date (the **Liquidity Facility Agreement**) with the Liquidity Bank and the Trustee. Under this agreement, the Liquidity Bank will provide a 364-day committed liquidity facility to the Issuer which will be renewable as described below. Investors should note that the purpose of the Liquidity Facility Agreement will be to provide liquidity, not credit support, and that 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 would ultimately reduce the amount available for distribution to Noteholders).

Available Issuer Income will comprise:

- (a) all monies (other than principal and prepayment fees) to be paid to the Issuer under or in respect of the Issuer Term Loan less the amount of any expected shortfall as notified by the Servicer; and
- (b) any interest accrued upon the Issuer's Accounts and paid into the Issuer Transaction 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's Accounts and paid into the Issuer Transaction Account.

On each Calculation Date, the Servicer will determine whether Available Issuer Income will be sufficient to make the payments set out under **paragraphs (a) to (i)** under "9. Cashflows - Payments Paid out of the Issuer Transaction Account Pre-Enforcement of the Notes" and **paragraphs (a) to (j)** under "9. Cashflows – Payments Paid out of the Issuer Transaction Account Post-Enforcement of the Notes" (excluding **paragraphs (g) and (i)**) below. If such amount is insufficient, the Servicer will make a drawing (an **Income Deficiency Drawing**) under the Liquidity Facility Agreement in an amount equal to the deficiency (an **Income Deficiency**). The proceeds of any Income Deficiency Drawing will be credited to the Issuer Transaction Account and will be applied by the Issuer in making payments on the next following Interest Payment Date.

The Liquidity Facility Agreement will initially permit drawings to be made by the Issuer of up to an aggregate amount of £40 million (the **Liquidity Facility Commitment**). The Liquidity Facility Commitment will automatically reduce following partial redemption of the Notes in accordance with **Condition 6.3** and the payment of Scheduled Amortisation Amounts in accordance with **Condition**

6.1. The Liquidity Facility Commitment may also be reduced upon confirmation from the Rating Agencies that such lesser amount will not adversely affect the then current rating of the Notes.

All payments due to the Liquidity Bank under the Liquidity Facility Agreement (other than in respect of the payment described in **paragraph (k)** under “9. Cashflows - Payments Paid out of the Issuer Transaction Account Pre-Enforcement of the Notes” and **paragraph (l)** under “9. Cashflows – Payments paid out of the Issuer Transaction Account Post-Enforcement of the Notes” below) will rank in priority to payments of interest and principal on the Notes.

The Liquidity Facility Agreement will be a renewable 364-day committed revolving loan facility which may be renewed until the Final Maturity Date. The Liquidity Facility Agreement will provide that if at any time:

- (a) the rating of the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Bank falls below the Requisite Rating; or
- (b) the Liquidity Bank refuses to renew the liquidity facility,

then the Issuer 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 the Liquidity Stand-by Account maintained with the Liquidity Bank or, if the Liquidity Bank ceases to have the Requisite Rating, any bank which has the Requisite Rating. 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.

The Issuer will pay interest on Income Deficiency Drawings at a rate equal to three month LIBOR plus a specified margin. However, Liquidity Stand-by Drawings will bear interest at a separate rate which is calculated by reference to the liquidity facility commitment fee and interest earned on the Liquidity Stand-by Account. In addition, if the Issuer makes a deemed Income Deficiency Drawing by withdrawing funds from the Liquidity Stand-by Account, then this drawing will bear interest at three month LIBOR plus a specified margin as with ordinary Income Deficiency Drawings.

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 adversely affect the then current ratings of the Notes.

9. Cashflows

Payments Paid out of the Issuer Transaction Account – Priority Amounts

The Servicer will, prior to the enforcement of the Issuer Security, out of funds standing to the credit of the Issuer Transaction Account, pay sums due to third parties (other than the Servicer, the Liquidity Bank, the Special Servicer, the Corporate Services Provider, the Trustee, the Paying Agents, the Agent Bank, the Account Bank or the Bond Arranger), 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.

Payments Paid out of the Issuer Transaction Account Pre-Enforcement of the Notes

Prior to the enforcement of the Issuer Security, on each Interest Payment Date, Available Issuer Income together with receipts of scheduled principal in respect of the Issuer Term Loan will be applied from the Issuer Transaction Account in the following order of priority (the **Pre-Enforcement 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 Servicing Agreement:

- (a) in or towards satisfaction of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to, *pari passu* and *pro rata*, the Trustee and any other person appointed by it under the Trust Deed, the Deed of Charge and/or any Transaction Document to which the Trustee is a party;
- (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 described in **paragraph (n)** below);
- (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 Agreement;
- (e) 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 (as defined in **paragraph (m)** below);
- (f) 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;
- (g) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class A Notes;
- (h) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class B Notes;
- (i) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class C Notes;
- (j) in or towards payment of all amounts of principal (if any) due or overdue on the Class A Notes and all other amounts (excluding interest) due in respect of the Class A Notes;
- (k) in or towards payment of all amounts of principal (if any) due or overdue on the Class B Notes and all other amounts (excluding interest) due in respect of the Class B Notes;
- (l) in or towards payment of all amounts of principal (if any) due or overdue on the Class C Notes and all other amounts (excluding interest) due in respect of the Class C Notes;
- (m) in or towards payment or discharge of any amounts in respect of 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/or in or towards payment or discharge of increases in the Liquidity Facility Commitment Fee directly attributable to the implementation of the Framework to the extent that such amounts exceed 0.125 per cent. per annum of the commitment provided under the Liquidity Facility Agreement (the amount owing under this **paragraph (m)** being the **Liquidity Subordinated Amounts** in respect of such Interest Payment Date);

- (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 ongoing arrangement fee (the **Arrangement Fee**) payable to Eurohypo as the Bond Arranger; and
- (p) any surplus to the Issuer.

Payments Paid out of the Issuer Transaction Account Post-Enforcement of the Notes

The Issuer Security will become enforceable upon a Notes Event of Default. Following enforcement of the Issuer Security, the Trustee will be required to apply all funds received or recovered by it in accordance with the following order of priority (the **Post-Enforcement Priority of Payments** and, together with the Pre-Enforcement Priority of Payments, the **Priorities of Payment**) (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full), all as more fully set out in the Deed of Charge:

- (a) in or towards satisfaction of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to, *pari passu* and *pro rata*, the Trustee and any receiver or other person appointed by it under the Trust Deed, the Deed of Charge and/or any Transaction Document to which the Trustee is a party;
- (b) in or towards satisfaction of any amounts due and payable by the Issuer to, *pari passu* and *pro rata*, the Paying Agents and the Agent Bank in respect of amounts properly paid by such persons to the Noteholders 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 **paragraph (m)** 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 Agreement;
- (e) 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);
- (f) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class A Notes;
- (g) in or towards payment of all amounts of principal due or overdue on the Class A Notes and all other amounts (excluding interest) due in respect of the Class A Notes;

- (h) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class B Notes;
- (i) in or towards payment of all amounts of principal due or overdue on the Class B Notes and all other amounts (excluding interest) due in respect of 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 all amounts of principal due or overdue on the Class C Notes and all other amounts (excluding interest) due in respect of the Class C 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 Arrangement Fee payable to Eurohypo as the Bond Arranger; and
- (o) any surplus to the Issuer or other persons entitled thereto.

All other receipts in respect of or relating to the Issuer Term Loan received by the Issuer will be applied in accordance with **Condition 6.1(b)**.

Upon enforcement of the Issuer Security, the Trustee will have recourse only to the rights of the Issuer to the Issuer Term Loan and the Loan Security and all other assets constituting the Issuer Security. Other than in relation to the Servicing Agreement and the Subscription Agreement for breach of the obligations of Eurohypo set out therein, the Issuer and/or the Trustee will have no recourse to Eurohypo.

SERVICING

The Servicer

Each of the Issuer and the Trustee will appoint Eurohypo under the terms of a servicing agreement dated on or before the Closing Date (the **Servicing Agreement**) as the initial servicer of the Issuer Term Loan and to have responsibility for, among other things, the investment and application of moneys in accordance with the relevant priority of payments under the Servicing Agreement and the Deed of Charge. The Servicer will perform the day-to-day servicing of the Issuer Term Loan and will continue to service other commercial mortgage loans in addition to the Issuer Term Loan.

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

Servicing of the Issuer Term 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 Issuer Term Loan in the best interests of 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 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 Issuer Term Loan (i) provided that the Servicer or the Special Servicer, as the case may be, is Eurohypo, 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 beneficially owned by Eurohypo; and in so doing shall exercise the standard of care of a reasonably prudent commercial mortgage lender or (ii) to the extent that the Servicer or the Special Servicer, as the case may be, is not Eurohypo, 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 in respect of the Issuer Term Loan, 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 Special Servicer, as the case may be, in its reasonable judgement (the **Servicing Standard**).

Each of the Servicer and the Special Servicer may become the owner or otherwise hold an interest in the Notes or the Junior Loan with the same rights as each would have if it were not the Servicer or Special Servicer, as the case may be. Any such interest of the Servicer or the Special Servicer in the Notes or the Junior Loan will not be taken into account by any person when evaluating whether actions of the Servicer or the Special Servicer were consistent with 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 Issuer Term Loan and/or the Loan Security promptly upon the occurrence of any of the following events:

- (i) a payment default with regards to any payment due on the maturity of the Issuer Term Loan (not taking into account any extensions to its maturity permitted under the Servicing Agreement); or

- (ii) other than any payment default specified in **paragraph (i)** above, any scheduled payment due and payable in respect of the Issuer Term Loan being delinquent for up to 45 days past its due date; or
- (iii) the Borrower 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 (iii)** if a breach of it materially impairs or could materially impair the use or the marketability of the Property or the value thereof as security for the Issuer Term Loan).

The Servicer or the Special Servicer, as applicable, will promptly give notice to the Issuer, the Trustee, the Rating Agencies and the Special Servicer (where applicable) of the occurrence of any Special Servicing Event in respect of the Issuer Term Loan. Upon the delivery of such notice, the Special Servicer will automatically assume all of its duties, obligations and powers under the Servicing Agreement and the Issuer Term Loan will become **specialty 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 Issuer Term Loan (taking into account any extensions to its maturity permitted under the Servicing Agreement);
- (b) other than any payment default specified in **paragraph (a)** above, a scheduled payment due and payable in respect of the Issuer Term Loan being delinquent for more than 45 days past its due date;
- (c) the Issuer, the Trustee, the Servicer or the Special Servicer receiving notice of the enforcement of any Loan Security;
- (d) insolvency or bankruptcy proceedings being commenced in respect of the Borrower;
- (e) in the Servicer's opinion a breach of a material covenant under the Credit Agreement (as defined in **paragraph (iii)** above) 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 30 days of its occurrence;
- (f) the Borrower notifying the Loan Facility Agent, the Issuer or the Trustee in writing of its inability to pay its debts generally as they become due, its entering into an assignment for the benefit of its creditors or its voluntary suspension of payment of its obligations; or
- (g) any other Loan Event of Default occurring that, in the good faith and reasonable judgment of the Servicer, materially impairs or could materially impair the use or the marketability of the Property or the value thereof as security for the Issuer Term Loan.

On the appointment of the Special Servicer in respect of the Issuer Term Loan, the Servicer shall cease to be subject to the obligations as Servicer in respect of the Issuer Term 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 Loan Facility Agent to collect all payments due under or in connection with the Issuer Term Loan.

The Servicer will initially be responsible for the supervision and monitoring of payments falling due in respect of the Issuer Term 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 Issuer Term Loan and the Loan Security, to comply with the procedures for enforcement of the Issuer Term Loan and the Loan Security of the Servicer or the Special Servicer, as the case may be, current from time to time. In the event of a default in respect of the

Issuer Term Loan, the Servicer or the Special Servicer, as applicable, will consider based on (amongst others) the nature of the default, the status of the Borrower and the nature and value of the Property, what internal reviews and reporting requirements are needed in respect of the Issuer Term Loan, and which enforcement procedures are appropriate. Such procedures for enforcement include the giving of instructions to the Loan Facility Agent as to how to enforce the security held by the Loan Facility Agent pursuant to the Loan Security.

Amendments to the terms and conditions of the Finance Documents

The Servicer (with the consent of the Special Servicer in respect of any material changes to the terms and conditions of the Finance Documents, details of which are set out in the Servicing Agreement) or the Special Servicer, as applicable, on behalf of the Issuer and the Trustee may (but will not be obliged to) in accordance with the Servicing Standard agree to any request by the Loan 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) any release of the Borrower, provided that there is always at least one person who is the Borrower under the Issuer Term Loan (which may be a person to whom the Borrower requests its obligation to be novated);
 - (ii) 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 Borrower which is acceptable to the Servicer or the Special Servicer; or
 - (iii) 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 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 Issuer Term Loan beyond July 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 comprise a first ranking legal mortgage on the interests in the Property;
- (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 Issuer Term Loan or any waiver or postponement of the same is likely to have such 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.

The Servicing Agreement will give no authority to agree to any variation or amendment to any of the terms and conditions of the Finance Documents if the proposed variation or amendment is not

made in accordance with the Intercreditor Agreement. See “*Credit Structure – Intercreditor Agreement*”.

With the prior written consent of the Trustee, the Servicer or the Special Servicer, as applicable, may (but will not be obliged to) agree, subject to the terms of the Intercreditor Agreement, to any request by the Loan Facility Agent or the Borrower 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.

Ability to purchase the Issuer Term Loan and the Loan Security

The Issuer and the Trustee will, pursuant to the Servicing Agreement, grant the option on any Interest Payment Date (a) to the Servicer to purchase the Issuer Term Loan (as long as it is not specially serviced) and (b) to the Special Servicer to purchase the Issuer Term Loan (so long as it is specially serviced) and also, in each case, the Loan Security; provided that on the Interest Payment Date on which the Servicer or the Special Servicer, as the case may be, intends to purchase the Issuer Term Loan and the Loan Security the then principal balance of the Issuer Term Loan would be less than 10 per cent. of its principal balance as at the Closing Date, and provided further that the purchase price to be paid will be sufficient to pay all amounts due in respect of the Notes after payment has been made to all creditors who rank in priority to Noteholders.

The Servicer or the Special Servicer, as the case may be, must give the Issuer, the Loan Facility Agent, the Trustee and (in the case of notice given by the Special Servicer only) the Servicer not more than 65 nor less than 35 days’ written notice of its intention to purchase the Issuer Term Loan and the Loan Security. The purchase price to be paid by the Servicer or the Special Servicer, as the case may be, to the Issuer and/or the Trustee (as appropriate) will be an amount equal to the then principal balance of the Issuer Term Loan plus accrued but unpaid interest on the Issuer Term Loan. No such notice of the Special Servicer’s intention to purchase the Issuer Term Loan shall be valid if the Servicer gives the Issuer, the Loan Facility Agent and the Trustee written notice of its intention to purchase the Issuer Term Loan provided that such notice from the Servicer is delivered within 10 days of the date on which the Special Servicer’s notice was delivered.

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 and request the making of any Income Deficiency Drawings on behalf of the Issuer.

On each Interest Payment Date, the Servicer will determine and pay on behalf of the Issuer out of Available Issuer Income and receipts of scheduled principal in respect of the Issuer Term Loan determined by the Servicer to be available for such purposes as described above, each of the payments required to be paid pursuant to and in the priority set forth in the Servicing Agreement. In addition, the Servicer will, from time to time, pay on behalf of the Issuer all Priority Amounts required to be paid by the Issuer, as determined by the Servicer.

Subject to receipt of funds from the Borrower, the Servicer will make all payments required to carry out a redemption of Notes pursuant to **Condition 6.2(b), Condition 6.3(a), Condition 6.3(c), Condition 6.3(d), Condition 6.3(e) or Condition 6.3(f)**, in each case according to the provisions of the relevant Condition. See further “*Terms and Conditions of the Notes*”.

If the Servicer, acting on the basis of information provided to it determines, on any Calculation Date, 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 (i)** of the Pre-Enforcement Priority of Payments and **paragraphs (a) to (j)** of the Post-Enforcement Priority of Payments (excluding **paragraphs (g) and (i)**) the Servicer will make an Income Deficiency Drawing under the Liquidity Facility. See “*Credit Structure – 8. Liquidity Facility*” above. Any notice of drawdown in respect of the Liquidity Facility must be delivered at least one Business Day prior to the Interest Payment Date on which the drawing is required.

Servicer quarterly report

Pursuant to the Servicing Agreement, the Servicer will agree to deliver to the Issuer, the 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 Issuer Term 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 Loan Facility Agent monitors the arrangements for insurance which relate to the Issuer Term Loan and the Loan Security and establishes and maintains procedures to ensure that all buildings insurance policies in respect of the Property are renewed on a timely basis.

To the extent that the Issuer and/or the 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 Loan Facility Agent prepares and submits such claim on behalf of the Issuer and/or the 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 Loan Facility Agent to take such action as the Issuer and/or the Trustee shall reasonably direct and in the absence of such direction will, on behalf of the Issuer or the Trustee, instruct the Loan 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 the Property is otherwise not insured against fire and other perils (including subsidence) under a comprehensive buildings insurance policy or similar policy in accordance with the terms of the Credit Agreement, the Servicer will instruct the Loan 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 will be required to reimburse the Issuer, as applicable, for such costs of insurance. See also “*Risk Factors - Insurance*”.

Fees

The Servicer will be entitled to receive a fee for servicing the Issuer Term Loan. On each Interest Payment Date the Issuer will pay to the Servicer a servicing fee (the **Servicing Fee**) equal to 0.05 per cent. per annum (inclusive of value added tax) of the principal balance of the Issuer Term Loan but only to the extent that the Issuer has sufficient funds to pay such amount as provided in “*Credit Structure – 9. Cashflows - Payments out of the Issuer Transaction Account Pre-Enforcement Priority of Payments*”. 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 Issuer Term Loan is designated to be specially serviced, 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 Issuer Term Loan but only to the extent that the Issuer has sufficient funds to pay such amount as provided in “*Credit Structure – 9. Cashflows - Payments out of the Issuer Transaction Account Pre-Enforcement Priority of Payments*” for a period commencing on the date the Issuer Term Loan is designated to be specially serviced and ending on the date the Property is sold on enforcement or the date on which the Issuer Term Loan is designated to be corrected.

The Issuer Term Loan will be designated to be **corrected** if any of the following occurs with respect to the circumstances identified as having caused the Issuer Term Loan to be designated specially serviced and the Issuer Term 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 Issuer Term Loan):

- (a) with respect to the circumstances described in items (a) and (b) in the definition of Special Servicing Event the Borrower has made two consecutive timely quarterly payments 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 Borrower 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 Issuer Term 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 Issuer Term Loan, enforcement and sale), if any, arising on the sale of the 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 Issuer Term Loan.

In addition to the Special Servicing Fee and the Liquidation Fee (if any) in respect of the Issuer Term Loan, the Special Servicer will be entitled to receive a fee (the **Workout Fee**) in consideration of providing services in relation to the Issuer Term Loan when it is designated to be corrected. When the Issuer Term Loan is designated to be corrected, the Workout Fee shall be equal to 1.00 per cent. of each collection of principal and interest received on the Issuer Term 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 Issuer Term Loan to below the amount of principal outstanding under the Issuer Term Loan at the date it was first designated to be corrected) for so long as it continues to be designated corrected. The Workout Fee with respect to the Issuer Term

Loan will cease to be payable if the Issuer Term Loan is no longer designated to be corrected, but the Workout Fee will become payable if and when the Issuer Term Loan is again designated to be corrected.

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 “*Credit Structure – 9. Cashflows - Payments out of the Issuer Transaction Account Pre-Enforcement Priority of Payments*”.

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 Trustee and/or by the Issuer (with the consent of the 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 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 or the Special Servicer becomes aware of such error;
- (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 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 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 Issuer Term Loan; or
- (d) the occurrence of an insolvency event in relation to the Servicer or the Special Servicer.

In addition, if the Issuer Term Loan has been designated to be 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 relation to the replacement of the Special Servicer).

Controlling Party means, at any time:

- (a) the most junior class of Notes then having a Principal Amount Outstanding greater than 25 per cent. of the original aggregate Principal Amount Outstanding of the relevant class of Notes; or
- (b) if no class of Notes then has a Principal Amount Outstanding greater than 25 per cent. of the original aggregate Principal Amount Outstanding of the relevant class of Notes, the then most junior class of Notes.

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

In addition, subject to the fulfilment of certain conditions including, without limitation, that a substitute servicer or special servicer has been appointed, the Servicer or Special Servicer may

voluntarily resign by giving not less than three months' notice of termination to the Issuer, the Loan Facility Agent and the Trustee.

Any such substitute servicer or 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, if possible, 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 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 Trustee, exceed the amount payable to the Servicer or Special Servicer 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 Issuer Term 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 Operating Adviser

The Controlling Party may elect to appoint an operating adviser (the **Operating Adviser**) to represent its interests and to advise the Special Servicer about the following matters in relation to the Issuer Term Loan:

- (a) appointment of a receiver or similar actions to be taken in relation to the Issuer Term 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 Operating Adviser of its intentions and must take due account of the advice and representations of the Operating Adviser, although if the Special Servicer determines that immediate action is necessary to protect the interests of the Noteholders, the Special Servicer may take whatever action it considers necessary without waiting for the Operating Adviser's response. If the Special Servicer does take such action and the Operating Adviser objects in writing to the actions so taken within 10 Business Days after being notified of the action and provided with all reasonably requested information, the Special Servicer must take due account of the advice and representations of the Operating Adviser regarding any further steps the Operating Adviser considers should be taken in the interests of the Controlling Party. The Operating Adviser will be considered to have approved any action taken by the Special Servicer without the prior approval of the Operating Adviser if it does not object within 10 Business Days. Furthermore, the Special Servicer will not be obliged to obtain the approval of the Operating

Adviser for any actions to be taken with respect to the Issuer Term Loan if the Special Servicer has notified the Operating Adviser in writing of the actions that the Special Servicer proposes to take with respect to the Issuer Term Loan and, for 60 days following the first such notice, the Operating Adviser has objected to all of those proposed actions and has failed to suggest any alternative actions that the Special Servicer considers to be 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 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 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 Trustee.

Governing Law

The Servicing Agreement will be governed by English law.

LIQUIDITY BANK

Lloyds TSB Bank plc (**LTSB**) acting through its corporate office located at 25 Monument Street, London EC3R 8BQ, will act as Liquidity Bank. LTSB is a public limited company incorporated under the laws of England and Wales, is a wholly-owned subsidiary of Lloyds TSB Group plc, and is regulated by the Financial Services Authority. LTSB carries short-term ratings of “F1+” by Fitch, “A-1+” by S&P and “P-1” by Moody’s and long-term credit ratings of “AA” by Fitch, “AA” by S&P and “Aaa” from Moody’s.

Lloyds TSB is a leading UK-based financial services group, whose businesses provide a comprehensive range of banking and financial services in the UK and overseas. At the end of 2003, total group assets were £252 billion and there were 71,600 employees. Market capitalisation was £25.1 billion.

ACCOUNT BANK

Account Bank and the Issuer's Accounts

Pursuant to the Bank Agreement, the Account Bank will open and maintain the Issuer Transaction Account in the name of the Issuer. The Account Bank will agree to comply with any direction of the Servicer or the Issuer (prior to enforcement of the Issuer Security) or the Servicer or Trustee (after enforcement of the Issuer Security to effect payments from the Issuer Transaction Account if such direction is made in accordance with the mandate governing the account.

Termination of appointment of the Account Bank

The Bank Agreement will require that the Account Bank be, except in certain limited circumstances, a bank which is an Authorised Entity. If it ceases to be an Authorised Entity, the Account Bank will be required to give written notice of such event to the Issuer, the Servicer and the Trustee and will, within a reasonable time after having obtained the prior written consent of the Issuer, the Servicer and the Trustee and subject to establishing substantially similar arrangements to those contained in the Bank Agreement, procure the transfer of the Issuer Transaction Account and each other account of the Issuer held with the Account Bank to another bank which is an Authorised Entity. The Account Bank will be required to use all reasonable efforts to ensure that such a transfer will take place within 30 days of its ceasing to be an Authorised Entity. If at the time when a transfer of such account or accounts would otherwise have to be made, there is no other bank which is an Authorised Entity or if no Authorised Entity agrees to such a transfer, the accounts will not be required to be transferred until such time as there is a bank which is an Authorised Entity or an Authorised Entity which so agrees, as the case may be.

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

If, other than in the circumstances specified above, the 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 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.

ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of the Notes cannot be predicted because the Issuer Term Loan will 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 Issuer Term Loan is not sold by the Issuer;
- (b) the Issuer Term 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 13 August 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:

Interest Payment Date	Class A Notes (per cent.)	Class B Notes (per cent.)	Class C Notes (per cent.)
Closing Date	100	100	100
July 2004	100	100	100
October 2004	100	100	100
January 2005	100	100	100
April 2005	100	100	100
July 2005	100	100	100
October 2005	100	100	100
January 2006	100	100	100
April 2006	100	100	100
July 2006	100	100	100
October 2006	99.7	100	100
January 2007	99.4	100	100
April 2007	99.1	100	100
July 2007	98.8	100	100
October 2007	98.5	100	100
January 2008	98.3	100	100
April 2008	98.0	100	100
July 2008	97.7	100	100
October 2008	97.1	100	100
January 2009	96.5	100	100
April 2009	96.0	100	100
July 2009	95.4	100	100
October 2009	94.8	100	100
January 2010	94.3	100	100
April 2010	93.7	100	100
July 2010	93.2	100	100
October 2010	92.5	100	100
January 2011	91.8	100	100
April 2011	91.1	100	100
July 2011	—	—	—
Average Life (years)	6.8	7.0	7.0
First Principal Payment Date	October 2006	July 2011	July 2011
Last Principal Payment Date	July 2011	July 2011	July 2011

Assumptions (a) and (b) 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 proceeds from the issue of the Notes will be approximately £550,000,000, and this sum will be applied by the Issuer towards the making of the Term Advance to the Borrower on the Closing Date pursuant to the Credit Agreement. Fees, commissions and expenses incurred by the Issuer in connection with the issue of the Notes will be met by Eurohypo as Bond Arranger.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The issue of the £470,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2013 (the **Class A Notes**), the £62,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2013 (the **Class B Notes**) and the £18,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2013 (the **Class C Notes** and, together with the Class A Notes and the Class B Notes, the **Notes**) by Opera Finance (Lakeside) plc (the **Issuer**) was authorised by a resolution of the Board of Directors of the Issuer passed on 9 August 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 **Trust Deed**) dated 13 August 2004 (the **Closing Date**) made between the Issuer and HSBC Trustee (C.I.) Limited (the **Trustee**, which expression includes its successors as trustee or any further or other trustee(s) under the Trust Deed as trustee(s) for the holders of the Notes (the **Noteholders**)).

The proceeds of the issue of the Notes will be applied in or towards the making of the Term Advance to CSC Lakeside Limited (the **Borrower**).

References herein to the Notes shall include reference to:

- (a) any Global Note (as defined below); and
- (b) any Definitive Notes (as defined below) issued in exchange for a Global Note.

References herein to interest include references to Deferred Interest (as defined below) and interest thereon, unless the context otherwise requires.

The Noteholders and the holders of the Receipts and Coupons (each as defined below) (the **Receiptholders** and **Couponholders** respectively) 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, HSBC Bank plc 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 HSBC Global Investor Services (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 Trustee.

The security for the Notes is granted or created pursuant to a deed of charge under English law (the **Deed of Charge**, which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) dated the Closing Date and made between, among others, the Issuer and the Trustee.

The Noteholders, Receiptholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Agency Agreement and the Deed of Charge applicable to them and all the provisions of the other Transaction Documents (being the Bank Agreement, the Servicing Agreement, the Liquidity Facility Agreement, the Credit Agreement, the Corporate Services Agreement and the Master Definitions Agreement (each as defined in the master definitions agreement signed for identification by, among others, the Issuer and the Trustee on or about the Closing Date (the **Master Definitions Agreement**)) applicable to them.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement, the 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 Agreement.

As used in these Conditions:

- (a) a reference to a **Class** of Notes, or the respective holders thereof, as applicable, shall be a reference to the Class A Notes, the Class B Notes, or the Class C Notes (and, unless the context otherwise requires, shall include in each case any Coupons appertaining thereto) or the respective Noteholders, Receiptholders and Couponholders and Classes, in a similar context, shall be construed accordingly;
- (b) a reference to **Notes of any Class** shall in these Conditions, unless the context otherwise requires, include any Further Notes (as defined below in **Condition 16.1**) issued pursuant to **Condition 16** and forming a single series with the relevant Class of Notes; and
- (c) **Most Senior Class of Notes** means:
 - (i) the Class A Notes; or
 - (ii) if no Class A Notes are then outstanding (as defined in the Trust Deed), the Class B Notes (if, at any time, any Class B Notes are then outstanding); or
 - (iii) if no Class A Notes or Class B Notes are then outstanding, the Class C Notes (if, at any time, any Class C Notes are then outstanding).

Copies of the Transaction Documents to which the Trustee is a party are available to Noteholders for inspection at the specified office of each of the Principal Paying Agent and 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 SA/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 Receipts, 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 Trustee and all other parties may (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (an **Accountholder**) as the holder of such principal amount of such Notes, in which regard any certificate or other document issued by Euroclear or Clearstream Luxembourg as to the principal amount of such Notes or interest in such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders), other than for the purposes of payment of principal and interest on such Global Notes, the right to which shall be vested, as against the Issuer, the Paying Agents and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to the terms of the Trust Deed. The expressions **Noteholders** and **holder of Notes** and related expressions shall be construed accordingly.

In determining whether a particular person is entitled to a particular principal amount of Notes as aforesaid, the 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 Permanent 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 after the Exchange Date 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 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 in exchange.

Thereupon, the whole of such Permanent Global Note will be exchanged for Definitive Notes (in the form provided in **paragraph (b)** below), Receipts and Coupons in respect of principal and interest which has not already been paid on such Permanent Global Note as provided in such Permanent 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 with (at the date of issue) principal receipts (**Receipts**) and interest coupons (**Coupons**, which expression includes talons for further Coupons (**Talons**), except where the context otherwise requires) attached.

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

The Issuer, the Paying Agents and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the holder of any Definitive Note and the holder of any Receipt and Coupon as the absolute owner for all purposes (whether or not the Definitive Note, the Receipt 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, Receipt or Coupon) and the Issuer, the Trustee and the Paying Agents shall not be required to obtain any proof thereof or as to the identity of such holder.

3. STATUS, SECURITY AND PRIORITY OF PAYMENTS

3.1 Status and relationship between Classes of Notes

- (a) The Class A Notes, the Class B Notes and the Class C 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 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 Trust Deed and the Deed of Charge, the Class A Notes will rank in priority to all other Classes of Notes in point of security and as to the 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 in point of security and as to the 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.
- (c) In connection with the exercise of the powers, trusts, authorities, duties and discretions vested in it by the Trust Deed and the other Transaction Documents the Trustee shall:
 - (i) except where expressly provided otherwise, have regard to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders equally PROVIDED THAT if in the opinion of the Trustee (1) (for so long as there are any Class A Notes outstanding) there is a conflict between the interests of the Class A Noteholders, on the one hand and the interests of the Class B Noteholders and/or the Class C Noteholders on the other hand, it shall have regard only to the interests of the Class A Noteholders and (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, it shall, subject to (1) above, have regard only to the interests of the Class B 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 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 Trustee relates to any Basic Terms Modification, in which event the 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 Trustee shall not be entitled to require, nor shall any Noteholders be entitled to claim, from the Issuer, the 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 Other Issuer Secured Creditor or any other person or to act upon or comply with any direction or request of any Other Issuer Secured Creditor or any other person whilst any amount remains owing to any Noteholder.
- (d) In the event of an issue of Replacement Notes (as defined in **Condition 16.2**) or New Notes (as defined in **Condition 16.3**), the provisions of the Trust Deed, these Conditions, the Agency Agreement and the Deed of Charge, including those concerning:
- (i) the basis on which the Trustee will be required to exercise its rights, powers, trusts, authorities, duties and discretions;
 - (ii) the circumstances in which the Trustee will become bound to take action, as referred to in **Condition 10** or **11**;
 - (iii) meetings of Noteholders and the passing of effective Extraordinary Resolutions; and
 - (iv) the order of priority of payments both prior to, and upon, enforcement of the Issuer Security,

will be modified in such manner as the Trustee considers necessary to reflect the issue of such Replacement Notes or, as the case may be, New Notes and the ranking thereof in relation to the Notes. If any New Notes are issued and the Notes are then listed on the Irish Stock Exchange, the Issuer will immediately advise the Irish Stock Exchange accordingly, procure the publication of a notice of the issue in a leading newspaper having general circulation in Dublin, file a new offering circular in respect of the issue of the New Notes with the Irish Stock Exchange and make such offering circular and any related agreements available in Dublin at the specified office of the Irish Paying Agent.

As used in these Conditions:

Other Issuer Secured Creditors means the Trustee, any appointee of the Trustee, the Servicer, the Special Servicer, the Corporate Services Provider, the Liquidity Bank, the Account Bank, the Bond Arranger, the Principal Paying Agent, the Agent Bank and any other Paying Agent; and

Issuer Secured Creditors means the Noteholders, the Receiptholders, the Couponholders, the Other Issuer Secured Creditors and any other party so designated by the Issuer and the Trustee.

3.2 Issuer Security and Priority of Payments

The Issuer Security in respect of the Notes, Receipts and Coupons and the payment obligations of the Issuer under the Transaction Documents is set out in the 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 Deed of Charge contains provisions regulating such application by the Trustee after the Issuer Security has become enforceable.

The Issuer Security will become enforceable upon the occurrence of a Notes Event of Default in accordance with **Condition 10**. If the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Deed of Charge to be paid *pari passu* with, or in priority to, the Notes, or (ii) the Trustee is of the opinion, which will be binding on the Noteholders, reached after considering at any time and from time to time the advice, upon which the Trustee will be entitled to rely, of such professional advisers as are selected by the Trustee, that the 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 Deed of Charge to be paid *pari passu* with, or in priority to, the Notes, or (iii) the Trustee determines that not to effect such disposal would place the Issuer Security in jeopardy, and, in any event, the Trustee has been secured and/or indemnified to its satisfaction.

4. COVENANTS

4.1 Restrictions

Save with the prior written consent of the Trustee or as provided in these Conditions or as permitted by the 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 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 Trustee, the obligation to make due and punctual payment of all moneys 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 Notes Event of Default (as defined in **Condition 10**) 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 Trustee shall have executed and delivered such documentation as the Trustee may require;
 - (v) the Issuer shall have delivered to the Trustee a legal opinion of English lawyers acceptable to the Trustee in a form acceptable to the Trustee to the effect that such consolidation, merger, conveyance or transfer and such supplemental instruments and other documents comply with paragraphs (i), (ii), (iii) and (iv) above and are binding on the Issuer (or any successor thereto); or
 - (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 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; or

(i) 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 Trust Deed, the 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 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 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 Trustee that the then applicable ratings of each class of Notes then rated thereby will not be adversely affected.

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 Issuer Term Loan (as defined in the Master Definitions Agreement) 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 Trustee has been appointed and (ii) the Servicer may be terminated by the 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 thirty Business Days after written notice of such default shall have been served on the Servicer by the Issuer or the Trustee.

4.3 Special Servicer

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

Controlling Party means, at any time:

- (a) the most junior Class of Notes then having a Principal Amount Outstanding (as defined below) greater than 25 per cent. of its original aggregate Principal Amount Outstanding; 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, the then most junior Class of Notes.

4.4 Operating Adviser

The Class of Noteholders then acting as Controlling Party may, by an Extraordinary Resolution passed by that class, appoint an adviser (the **Operating Adviser**) with whom the Servicer or Special Servicer, as the case may be, will be required to liaise in accordance with 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 (as defined in **Condition 6.3(a)**) 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 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 31 January, 30 April, 31 July and 31 October in each year or, if any such day is not a Business Day (as defined below), 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 October 2004 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 each Interest Payment Date, and in respect of the first Interest Period, on the Closing Date (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)**) plus a margin of 0.25 per cent. per annum;
- (ii) in the case of the Class B Notes, LIBOR (as so determined) plus a margin of 0.47 per cent. per annum; and
- (iii) in the case of the Class C Notes, LIBOR (as so determined) plus a margin of 0.68 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 Saturday or 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 two month and three 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 one and two month sterling deposits notified by the Reference Banks). If, on any such Interest Determination Date, at least two of the Reference Banks provide such offered quotations to the Agent Bank the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such an offered quotation,

the Agent Bank shall forthwith consult with the Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation or quotations to the Agent Bank (which bank is in the sole opinion of the Trustee suitable for such purpose) and the rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed. 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 Rates of Interest.

5.4 Publication of Rates 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 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 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 **paragraph 5.3** above, the Trustee shall procure the determination of the Rates of Interest at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described in **paragraph 5.3** above), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Payment in accordance with **paragraph 5.3** 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 Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Paying Agents, the Trustee and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank, the Paying Agents or the Trustee in connection with the exercise by them or any of their powers, duties and discretions under this Condition.

5.7 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 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**. If any person shall be unable or unwilling to continue to act as the Agent Bank, or if the appointment of the

Agent Bank shall be terminated, the Issuer will, with the written approval of the Trustee, appoint a successor Agent Bank to act as such in its place, provided that neither the resignation nor the removal of the Agent Bank shall take effect until a successor approved by the 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 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 and/or the Class C 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 paragraph (i)) in respect of the Class C Notes; and
 - (ii) to the extent only of any insufficiency of funds after having paid or provided for all amounts specified 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 to the extent only of any insufficiency of funds after having paid or provided for all amounts specified as having a higher priority than interest payable in respect of the Class C 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 and/or the Class C Notes which is not due and payable on an Interest Payment Date as a result of the provisions of this **paragraph 5.8** is the **Class B Deferred Interest** and the **Class C 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 and/or the Class C Notes (as the case may be) and on the same basis as interest on the Class B Notes and/or the Class C 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 **paragraph 5.8** applies. As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes and/or the Class C Notes will be deferred or that a payment previously deferred will be made in accordance with this **paragraph 5.8** the Issuer will give notice thereof to the Class B Noteholders and/or the Class C Noteholders in accordance with **Condition 15**. Any deferral of interest in accordance with this **paragraph 5.8** will not constitute a Notes Event of Default. The provisions of this **paragraph 5.8** shall cease to apply on the Final Maturity Date, at which time all Deferred Interest and accrued interest thereon shall become due and payable.

6. REDEMPTION

6.1 Scheduled Amortisation Amounts

- (a) Subject as provided in **Conditions 6.2**, and **6.3** prior to the service of an Acceleration Notice, the Issuer shall apply on each Interest Payment Date in redemption of each Note of the relevant class (except in respect to Notes cancelled pursuant to **Condition 6.7**) the amount (each, a **Scheduled Amortisation Amount**) set out opposite each Interest Payment Date below on such date, subject to **paragraph (c)** below.

The figures set out below show the Scheduled Amortisation Amount per £50,000 denomination of the Notes of each class.

Interest Payment Date	Class A Notes Scheduled Amortisation Amount (£)	Class B Notes Scheduled Amortisation Amount (£)	Class C Notes Scheduled Amortisation Amount (£)
October 2004	–	–	–
January 2005	–	–	–
April 2005	–	–	–
July 2005	–	–	–
October 2005	–	–	–
January 2006	–	–	–
April 2006	–	–	–
July 2006	–	–	–
October 2006	125.00	–	–
January 2007	124.69	–	–
April 2007	124.38	–	–
July 2007	124.06	–	–
October 2007	123.75	–	–
January 2008	123.45	–	–
April 2008	123.14	–	–
July 2008	122.83	–	–
October 2008	245.04	–	–
January 2009	243.82	–	–
April 2009	242.60	–	–
July 2009	241.39	–	–
October 2009	240.18	–	–
January 2010	238.98	–	–
April 2010	237.78	–	–
July 2010	236.59	–	–
October 2010	294.26	–	–
January 2011	292.43	–	–
April 2011	290.60	–	–
July 2011	38,932.31	5,636.36	1,636.36
October 2011	–	–	–
January 2012	–	–	–
April 2012	–	–	–
July 2012	–	–	–
October 2012	–	–	–
January 2013	–	–	–
April 2013	–	–	–
July 2013	–	–	–

In the event of a partial redemption of the Class A Notes pursuant to this **Condition 6**, other than pursuant to this **Condition 6.1(a)**, then each Scheduled Amortisation Amount pertaining to each Class A Note which falls to be paid after the date of the partial redemption so made shall be reduced by a proportion of such Scheduled Amortisation Amount which is the same proportion as the partial redemption so made bears to the Principal Amount Outstanding of the Class A Notes immediately prior to such partial redemption being made but after deducting any redemption made in accordance with this **Condition 6.1(a)** on the date such partial redemption is made.

- (b) If the Issuer makes a partial redemption of the Notes under **Condition 6.3(a)**, then the funds available for any such redemption will be applied as follows: first, in redemption of the Class C Notes until the Principal Amount Outstanding of the Class C Notes is reduced to zero; then, in redemption of the Class B Notes until the Principal Amount Outstanding of the Class B Notes is reduced to zero; and finally, in redemption of the Class A Notes until the Principal Amount Outstanding of the Class A Notes is reduced to zero. If the Issuer makes a redemption of Notes under **Condition 6.2, 6.3(b), 6.3(c), 6.3(d), 6.3(e) or 6.3(f)**, then the funds available for any such redemption will be applied as follows: first, in redemption of the Class A Notes until the Principal Amount Outstanding of the Class A Notes is reduced to zero; then, in redemption of the Class B Notes until the Principal Amount Outstanding of the Class B Notes is reduced to zero; and finally, in redemption of the Class C Notes until the Principal Amount Outstanding of the Class C Notes is reduced to zero.
- (c) The amounts shown in **paragraph (a)** above for redemption in respect of the Interest Payment Date falling in July 2011 are payable subject to the Issuer having sufficient funds to make payment thereof using funds from repayment of the Issuer Term Loan. To the extent of any insufficiency of such funds, the Issuer will be entitled to defer payment until the following Interest Payment Date, and (Interest Period by Interest Period) to Interest Payment Dates thereafter, but subject always to **Condition 6.4**.

6.2 Redemption for Taxation or Other Reasons

- (a) If the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that, 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 Issuer Term 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; then the Issuer shall inform the Trustee accordingly and shall, in order to avoid the event described, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved in writing by the Trustee as principal debtor under the Notes 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 Trustee may agree) to the Noteholders in accordance with **Condition 15**, 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 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 Deed of Charge to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer

stating that the event described above will apply on the occasion of the next Interest Payment Date 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 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 Issuer receives a notice from the Borrower pursuant to the Credit Agreement that the Borrower intends to prepay all or part of the Issuer Term Loan on or before the next Interest Payment Date, the Issuer will, having given not more than 60 nor less than 30 days' notice to the Noteholders in accordance with **Condition 15**, redeem some or all of a specified Principal Amount Outstanding of the Notes equal to the principal amount of the Issuer Term Loan being prepaid at a price equal to the Relevant Percentage (if applicable, if not at par value) of their Principal Amount Outstanding together with accrued interest provided that, prior to giving any such notice, the Issuer shall have satisfied the Trustee that it has or 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 Deed of Charge then to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer will have such funds; and the Trustee shall accept the certificate as sufficient evidence of the satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.

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.

Relevant Percentage means 101 per cent. in respect of any redemption before the first anniversary of the Closing Date; and thereafter 100.5 per cent. in respect of any redemption on or after the first anniversary of the Closing Date but on or before the second anniversary of the Closing Date; and thereafter 100 per cent.

- (b) In connection with a mandatory redemption of the Notes upon notice of the Borrower's intention to prepay all or part of the Issuer Term Loan in accordance with **paragraph 6.3(a)** above, the Issuer will redeem the specified Principal Amount Outstanding at par value without payment of any Relevant Percentage in circumstances in which no prepayment fees are payable by the Borrower under the Credit Agreement as a result of a prepayment of the Issuer Term Loan arising because of an increase in lender's costs arising out of a change of law or regulation which have been passed onto the Borrower, the Borrower being obliged to gross up interest payable on the Issuer Term Loan, illegality or a failure of the Loan Facility Agent and the majority lenders to consent to a change in shareholding of the Borrower as provided for in the Credit Agreement.
- (c) If the Junior Lenders elect to purchase the Issuer Term Loan pursuant to the Intercreditor Agreement or if the Issuer Term Loan is otherwise sold or transferred pursuant to the Credit Agreement, the Issuer will, having given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders in accordance with **Condition 15**, redeem all (but not some only) of the Notes at their respective Principal Amount 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 Trustee that it has or 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 Deed of Charge then to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer will have such funds; and the Trustee shall accept the certificate as sufficient evidence of satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.

- (d) If Replacement Notes (as defined in **Condition 16.2**) are to be issued, the Issuer may, having given not more than 60 nor less than 30 days' notice to the Noteholders in accordance with **Condition 15**, on any Interest Payment Date redeem only the relevant Class or Classes of Notes to be replaced at a price equal to the Relevant Percentage of their Principal Amount Outstanding together with accrued interest provided that, prior to giving any such notice, the Issuer shall have satisfied the 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 Deed of Charge to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer will have such funds; and the Trustee shall accept the certificate as sufficient evidence of the satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.
- (e) The Issuer will give not more than 60 nor less than 30 days' notice to the Trustee and Noteholders in accordance with **Condition 15** that it will redeem all (but not some only) of the Notes at their specified Principal Amount Outstanding together with accrued interest on the Interest Payment Date falling in July 2011, provided that, prior to giving any such notice, the Issuer shall have satisfied the Trustee that it has or 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 Deed of Charge then to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer will have such funds; and the Trustee shall accept the certificate as sufficient evidence of satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.
- (f) Upon receipt by the Issuer of any amount of principal payments received or recovered by or on behalf of the Issuer in respect of the Issuer Term Loan as a result of enforcement procedures or other actions taken in respect of the Issuer Term Loan, the Issuer will, having given not more than 60 nor less than 30 days' notice to the Trustee and Noteholders in accordance with **Condition 15**, redeem some or all of a specified Principal Amount Outstanding of the Notes together with accrued interest on the next Interest Payment Date, provided that, prior to giving any such notice, the Issuer shall have satisfied the Trustee that it has or 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 Deed of Charge then to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer will have such funds; and the Trustee shall accept the certificate as sufficient evidence of satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.

6.4 Redemption on Maturity

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 which falls in July 2013 (the **Final Maturity Date**).

6.5 Notice of Redemption

Any such notice as is referred to in **Condition 6.2** or **6.3** above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes of the relevant class in the amounts specified in these Conditions.

6.6 Purchase

The Issuer shall not purchase Notes.

6.7 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, Receipts 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 and posted in Ireland 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 Receipts and 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 Trustee in respect of payments due on such Note whilst such Note is represented by a Global Note and the Issuer or the Trustee, as the case may be, shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note.
- (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** and the provisions of the 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, Receipt 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 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**.

8. PRESCRIPTION

Claims in respect of Notes, Receipts 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 moneys payable has not been duly received by the Paying Agents or the Trustee on or prior to such date) the date on which notice that the full amount of such moneys has been received is duly given to the Noteholders in accordance with **Condition 15**.

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) The Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if so directed by an Extraordinary Resolution (as defined below) of the holders of the Most Senior Class of Notes then outstanding shall, (subject in each case to its being secured and/or indemnified to its satisfaction) give notice in writing (an **Acceleration Notice**) to the Issuer declaring the Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events (each, a **Notes Event of Default**):
 - (i) default being made for a period of three days in the payment of any principal of, or default is made for a period of five 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** shall not constitute a default in the payment of such interest for the purposes of this **Condition 10(a)(i)**; or

- (ii) breach by the Issuer of any representation or warranty made by it in these Conditions, the Trust Deed or any of the other Transaction Documents to which it is a party and in any such case (except where the Trustee certifies that, in its opinion, such breach is incapable of remedy, when no notice will be required), such breach continuing for a period of 30 days following the service by the Trustee on the Issuer of notice in writing requiring the same to be remedied; or
- (iii) the Issuer failing duly to perform or observe any other obligation, condition or provision binding upon it under these Conditions, the Trust Deed or any of the other Transaction Documents to which it is a party and in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy, when no notice will be required), such failure continuing for a period of 30 days following the service by the Trustee on the Issuer of notice in writing requiring the same to be remedied; or
- (iv) the Issuer, otherwise than for the purposes of such a pre-approved amalgamation or reconstruction as is referred to in **sub-paragraph (v)** 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 the Issuer being (or being deemed to be) unable to pay its debts as and when they fall due; or
- (v) 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
- (vi) 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,

provided that in the case of each of the events described in **sub-paragraphs (ii), (iii) and (iv)** of this **paragraph (a)**, the Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class of Notes outstanding.

- (b) Upon any declaration being made by the Trustee in accordance with **paragraph (a)** above that the Notes are due and repayable each Note shall thereby immediately become due and repayable at its Principal Amount Outstanding together with accrued interest as provided in the Trust Deed and the Deed of Charge subject to the Post-Enforcement Priority of Payments.

11. ENFORCEMENT

- (a) The Trustee may, at its discretion and without notice at any time and from time to time, take such proceedings or other action it may think fit to enforce the provisions of the Transaction Documents, the Notes and Coupons, provided that, subject to **paragraph (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 and the Class C Notes and the payment of accrued interest (including any Deferred Interest and accrued interest thereon) and, at any time after the Issuer Security has become enforceable, take such steps as it may think fit to enforce the Issuer Security, but it shall not be bound to take any such proceedings, action or steps unless (a) it shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding for the time being of the Most Senior Class of Notes outstanding and (b) it shall have been secured and/or indemnified to its satisfaction.
- (b) Subject to **paragraph (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 Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. The Trustee cannot, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any of the Other Issuer Secured Creditors under the Deed of Charge.
- (c) If the Trustee has taken enforcement action under the Deed of Charge and distributed all of the resulting proceeds (including the proceeds of realising the security thereunder), to the extent that any amount is still owing to any Noteholder (a **Shortfall**), any such Noteholder shall be entitled to proceed directly against the Issuer in order to claim such Shortfall and the Trustee shall not be responsible for any liability occasioned thereby, nor shall it vouch for the validity of such claim.

12. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER, SUBSTITUTION AND TRUSTEE'S DISCRETIONS

- (a) The 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.

An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on all the Class B Noteholders and the Class C 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 the Class B Noteholders and the Class C Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class B Noteholders and the Class C Noteholders.

Without prejudice to the paragraph below, an Extraordinary Resolution passed at any meeting of 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 the 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 Class B Noteholders, which is effective in accordance with the immediately preceding paragraph, shall be binding on all Class A Noteholders, Class B Noteholders and Class C 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 C Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class C Noteholders.

An Extraordinary Resolution passed at any meeting of 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 the Class A Noteholders and the Class B Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders and the Class B Noteholders.

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

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.

As used in these Conditions and the Trust Deed:

- (i) **Extraordinary Resolution** means (a) a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-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. of the Noteholders, 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 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 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 Trust Deed;
 - (E) alteration of this definition or the provisos to **paragraphs 5** and/or **6** of **Schedule 3** to the Trust Deed;
 - (F) alteration of the Pre-Enforcement 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 Trustee may agree, without the consent of the Noteholders, Receiptholders or the Couponholders, (i) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, these Conditions, the Trust Deed or any of the other Transaction Documents, which is not, in the opinion of the 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 Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven. The Trustee may also, without the consent of the Noteholders, the Receiptholders or the Couponholders, determine that any Notes 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 Trustee agrees otherwise, any such modification shall be notified to the Noteholders, the Receiptholders and the Couponholders in accordance with **Condition 15** as soon as practicable thereafter.
- (c) The Trustee may agree, without the consent of the Noteholders, the Receiptholders or the Couponholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the 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 Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and (iv) certain other conditions set out in the Trust Deed being complied with. Any such substitution shall be notified to the Noteholders, the Receiptholders and the Couponholders and the Rating Agencies in accordance with **Condition 15**. In the case of a substitution pursuant to this **paragraph (c)**, the Trustee may in its absolute discretion agree, without the consent of the Noteholders, the Receiptholders 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 Trustee, be materially prejudicial to the interests of the Noteholders, the Receiptholders or the Couponholders. No such substitution shall take effect unless it applies to all the Notes then outstanding.

13. INDEMNIFICATION AND EXONERATION OF THE TRUSTEE

The Trust Deed and certain of the Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Issuer Security or taking any other action in relation to the Trust Deed or the other Transaction Documents unless secured and/or indemnified to its satisfaction. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer Charged Property, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of Eurohypo or any agent or related company of Eurohypo or by clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other persons whether or not on behalf of the Trustee.

The Trust Deed contains provisions pursuant to which the Trustee or any of its related companies is entitled, among other things, (i) to enter into business transactions with the Issuer and/or any other person who is a party to the 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 Trust Deed also relieves the Trustee of liability for not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Deed of Charge and the Borrower Security Agreement. The Trustee has no responsibility in relation to the legality, validity, sufficiency, adequacy and enforceability of the Issuer Security or the Transaction Documents. The Trustee will not be obliged to take any action which might result in its incurring personal liabilities unless secured and/or indemnified to its satisfaction or to supervise the performance by the Servicer or any other person of their obligations under the Transaction Documents and the Trustee shall assume, until it has notice in writing to the contrary, that all such persons are properly performing their duties, notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

The Trust Deed and certain of the other Transaction Documents contain other provisions limiting the responsibility, duties and liability of the Trustee.

The Trust Deed contains provisions pursuant to which (i) the Trustee may retire at any time on giving not less than three months' prior written notice to the Issuer, and will be relieved of any liability incurred by reason of such retirement and (ii) the Noteholders may by Extraordinary Resolution of the holders of each Class of Notes remove the Trustee. The retirement or removal of the Trustee will not become effective until a successor trustee is appointed. The Trustee is entitled to appoint a successor trustee in the circumstances specified in the Trust Deed.

14. REPLACEMENT OF THE NOTES

14.1 Definitive Notes and Coupons

If a Definitive Note, Receipt, 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, Receipt, 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 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 Trustee, in another appropriate newspaper or newspapers as the Trustee shall approve having a general circulation in London or Dublin (as appropriate) previously approved in writing by the 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 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 Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

16. FURTHER ISSUES, REPLACEMENT NOTES AND NEW NOTES

16.1 Further Issues

The Issuer is at liberty from time to time without the consent of the Noteholders or Couponholders, but subject always to the provisions of these Conditions and the Trust Deed to create and issue further Notes (the **Further Notes**) in bearer form carrying the same terms and conditions in all respects (except in relation to the issue date, the first Interest Period and the first Interest Payment Date) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, the relevant Class of Notes, provided that:

- (a) the aggregate principal amount of all Further Notes to be issued on such date is in a minimum amount of £5,000,000 and integral multiples thereafter of £1,000,000;
- (b) any Further Notes are assigned the same ratings by the Rating Agencies as are then applicable to the corresponding Class of Notes then outstanding;
- (c) the Rating Agencies confirm that the respective ratings of each Class of Notes at that time outstanding will not be adversely affected as a result of such issue of Further Notes;
- (d) an amount equal to the aggregate principal amount of such Further Notes will be lent by the Issuer pursuant to the provisions of the Credit Agreement;
- (e) such encumbrances necessary to maintain the then current ratings referred to in (c) above or to obtain the necessary ratings for the Further Notes are given in favour of

the Trustee, the Loan Facility Agent, and/or the Issuer by the Borrower at the date of issue of the Further Notes (if applicable);

- (f) no Loan Event of Default has occurred and is continuing or would occur as a result of such issue of Further Notes;
- (g) the Issuer's liabilities in respect of such Further Notes are hedged to the satisfaction of the Rating Agencies then rating the Notes;
- (h) no Notes Event of Default has occurred and is continuing or would occur as a result of such issue of Further Notes; and
- (i) application will be made to list the Further Notes on the Irish Stock Exchange, or if the Notes then issued are no longer listed on the Irish Stock Exchange, on such exchange, if any, on which the Notes then issued are then listed.

16.2 Replacement Notes

The Issuer will also be entitled (but not obliged) at its option from time to time on any date, without the consent of the Noteholders or Couponholders, to issue notes (**Replacement Notes**), each class of which shall be required to have the same terms and conditions in all respects as the Class of Notes which it replaces except in relation to (aa) the first Interest Period and (bb) the rate of interest applicable to such Replacement Notes which must be a rate of interest equal to or lower than the rate of interest applicable to the Class of Notes being replaced, and shall on issue be in a principal amount which in aggregate does not exceed the aggregate Principal Amount Outstanding of the class of Notes which it replaces, *provided that* the Class or Classes of Notes to be replaced are redeemed in full in accordance with **Condition 6.3(d)** and the conditions to the issue of Further Notes as set out in **Condition 16.1(a), (b), (c) and (e) to (i)** are met, *mutatis mutandis*, in respect of such issue of Replacement Notes and provided further that, for the purposes of this **Condition 16.2** (i) where interest in respect of the Replacement Notes or the Class of Notes being replaced is payable on a floating rate basis, the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced shall be deemed to be the fixed rate payable by the Issuer under the interest rate exchange agreement entered into by the Issuer in relation to the Replacement Notes or, as the case may be, the Class of Notes being replaced; and (ii) where the Replacement Notes or the Class of Notes being replaced have the benefit of a financial guarantee or similar arrangement (a **Financial Guarantee**), the guarantee fee and any other amounts payable to the provider of the Financial Guarantee, other than any such amounts the payment of which is subordinated to payments in respect of all of the Notes, (expressed as a percentage rate per annum on the principal amount of the Replacement Notes or, as the case may be, the class of Notes being replaced) shall be added to the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced.

16.3 New Notes

The Issuer shall be at liberty, without the consent of the Noteholders and the Couponholders (but subject always to the provisions of the Trust Deed), to raise further funds from time to time and on any date by the creation and issue of new notes (the **New Notes**) in bearer form which may rank *pari passu* with the Class A Notes or after the Class A Notes but ahead of or *pari passu* with the Class B Notes or after the Class A Notes and the Class B Notes but ahead of or *pari passu* with the Class C Notes or after the Class C Notes and which do not form a single series with any Class of the Notes and which may have a Financial Guarantee *provided that* the conditions to the issue of Further Notes as set out in **Condition 16.1(a), and (c) to (i)** are met, *mutatis mutandis*, in respect of the issue of such New Notes as if reference therein to Further Notes were references to New Notes.

16.4 Supplemental trust deeds and security

Any such Further Notes, Replacement Notes and New Notes will be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of the Issuer Security pursuant to the Deed of Charge as described in **Condition 3**.

17. 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.

18. GOVERNING LAW

The 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 the United Kingdom taxation of the Notes. It is not a comprehensive analysis of the tax consequences arising in respect of Notes. Some aspects do not apply to certain classes of taxpayer (such as dealers 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.

References to interest in this section may include references to any premiums payable in respect of the Notes.

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 treated as 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 who belongs in 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 is within the charge to United Kingdom corporation tax as regards the payment of interest, 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%). 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 in practice 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 tax issues for non-United Kingdom resident Noteholders

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 a date not earlier than 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 dependant upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

Citigroup Global Markets Limited whose registered office is at Citigroup Centre, 33 Canada Square, Canary Wharf, London E14 5LB; Morgan Stanley & Co. International Limited whose registered office is at 25 Cabot Square, Canary Wharf, London E14 4QA; HSBC Bank plc whose registered office is at Level 23, 8 Canada Square, London E14 5HQ; and The Royal Bank of Scotland plc whose registered office is at 4th Floor, 135 Bishopsgate, London EC2M 3UR (together, the **Managers**), pursuant to a subscription agreement dated 10 August 2004 (the **Subscription Agreement**), between the Managers, the Issuer and Eurohypo, have agreed, jointly and severally, subject to certain conditions, to subscribe and pay for the Class A Notes at 100 per cent. of the initial principal amount of such Notes, the Class B Notes at 100 per cent. of the initial principal amount of such Notes and the Class C Notes at 100 per cent. of the initial principal amount of such Notes.

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

In addition, the Issuer will be obliged under an arrangement fee letter dated on or before the Closing date to pay the Arrangement Fee to the Bond Arranger.

United States of America

Each of the Managers has represented and agreed with the Issuer that the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (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 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;

- (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.

The Netherlands

The Issuer must verify that all Dutch resident purchasers of Notes (including rights representing an interest in a Global Note) issued by it directly to such purchasers on or before the Issue Date or issued by it in circumstances where it is reasonably able to identify the Dutch resident holders thereof (other than the relevant Manager) on or before the Issue Date as Professional Market Parties (as defined below) and shall agree (or procure the relevant Manager agrees) with each such purchaser that any Notes acquired by it may not be offered, sold, transferred or delivered by any such purchaser, except in accordance with the restrictions referred to in paragraph 2 below.

This Offering Circular may not be distributed and the Notes (including rights representing an interest in a Global Note) 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 other than to the following entities (referred to as **Professional Market Parties** or **PMPs**) provided they acquire the Notes for their own account:

- (a) banks, insurance companies, securities firms, collective investment institutions or pension funds that are (i) supervised or licensed under Dutch law or (ii) established 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), Hungary, Monaco, Poland, Puerto Rico, Saudi Arabia, Slovakia, Czech Republic, Turkey, South Korea, the United States, Japan, Australia, Canada, Mexico, New Zealand or Switzerland, and are subject to prudential supervision in their country of establishment;
- (b) collective investment institutions which offer their shares or participations exclusively to professional investors (or, as far as foreign investment institutions are concerned, to such investors located in The Netherlands) and are not required to be supervised or licensed under Dutch law;
- (c) the Dutch government (*de Staat der Nederlanden*), DNB, a foreign government body being part of a central government, a foreign central bank, certain Dutch or foreign, regional, local or other decentralised governmental institutions, international treaty organisations and supranational organisations;
- (d) enterprises or entities with total assets of at least 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;
- (e) enterprises, entities or national persons with a net equity (*eigen vermogen*) of at least 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 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;

- (f) subsidiaries of the entities referred to under (i) above provided such subsidiaries are subject to prudential supervision;
- (g) enterprises or entities that have a credit rating from an approved rating agency or whose securities have such a rating; and
- (h) 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 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 (**PMPs**).

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.”

France

The Notes have not been offered or sold, directly, or indirectly, the Notes to the public in the Republic of France and offers and sales of the Notes in France will be made only to qualified investors (*investisseurs qualifiés*) acting for their account as defined in and in accordance with Articles L.411-1 and L.411-2 of the French *Code Monétaire et Financier* and decree no. 98-880 dated 1 October 1998.

In addition, each Manager has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of France this Offering Circular or any other offering material relating to the Notes other than to investors to whom offers and sales of the Notes in France may be made as described above and that this Offering Circular has not been submitted for approval (*Visa*) by the *Autorité des Marchés Financiers* and does not constitute an offer for sale or subscription of securities.

Germany

The Notes have not been and will not be offered, sold or publicly promoted or advertised in the Federal Republic of Germany other than in compliance with the German Securities Selling Prospectus Act (*Wertpapier-Verkaufsprospektgesetz*) of 13 December 1990, as amended, or any other laws applicable in the Federal Republic of Germany governing the issue, offering and sale of securities and that no selling prospectus (*Verkaufsprospekt*) within the meaning of the German

Securities Selling Prospectus Act has been or will be registered or published within the Federal Republic of Germany.

Ireland

Each of the 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 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 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 the section 56 and 57 of the Companies Act, 1963 of Ireland.

General

Except for listing the Notes on the Official List of the Irish Stock Exchange and delivery of this document to the Registrar of Companies in Ireland, no action is being taken in any jurisdiction that

would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Offering Circular does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisement in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

Each of the Managers has undertaken not to offer or sell any of the Notes, or to distribute this document or any other material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with applicable law and regulations.

GENERAL INFORMATION

1. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 9 August 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 11 August 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 28 July 2004 the Issuer was granted a certificate under section 117 of the Company 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	19855520	XS0198555202
Class B	19855589	XS0198555897
Class C	19855597	XS0198555970

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 Paying Agent in Dublin. The Issuer does not publish interim accounts.
6. 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. Since the date of its incorporation, the Issuer has entered into the Subscription Agreement, being a contract entered into other than in its ordinary course of business.
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 section 46 of the Irish Companies Act, 1963 (as amended).
10. DTZ Debenham Tie Leung Limited 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 herein, since 15 June 2004 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the trading or financial position of the Issuer.

12. The Deed of Charge, the Trust Deed and the Borrower Security Agreement will provide that the Trustee and the Loan Facility Agent (as applicable) may rely on reports or other information from professional advisors or other experts in accordance with the Deed of Charge, the Trust Deed and the Borrower Security Agreement (as applicable), whether or not such report or other information, engagement letter or other document entered into by the Trustee or the Loan Facility Agent (as applicable) 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 week day (excluding Saturdays, Sundays, and public holidays) at the offices of the Issuer at Blackwell House, Guildhall Yard, London EC2V 5AE and at the specified offices of the 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 balance sheet of the Issuer as at 10 August 2004 and the auditors report thereon;
 - (c) the Subscription Agreement referred to in **paragraph 7** above; and
 - (d) drafts (subject to modification) of the following documents (together with the Subscription Agreement, the **Transaction Documents**):
 - (i) the Trust Deed;
 - (ii) the Credit Agreement;
 - (iii) the Borrower Security Agreement;
 - (iv) the Intercreditor Agreement;
 - (v) the Deed of Charge;
 - (vi) the Servicing Agreement;
 - (vii) the Bank Agreement;
 - (viii) the Corporate Services Agreement;
 - (ix) the Share Trust Deed;
 - (x) the Nominee Declaration of Trust;
 - (xi) the Liquidity Facility Agreement;
 - (xii) the Agency Agreement; and
 - (xiii) the Master Definitions Agreement.

APPENDIX A
FINANCIAL INFORMATION IN RESPECT OF THE BORROWER

CSC LAKESIDE LIMITED

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2003

Company number 4144192

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors submit their report and accounts for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the company is the ownership, management and development of Lakeside Shopping Centre, Thurrock.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company's results and financial position for the year ended 31 December 2003 are set out in full in the profit and loss account, the balance sheet, the statement of total recognised gains and losses, and the notes relating thereto.

Both the level of business during the year and the year end financial position were as expected. Loss on ordinary activities before taxation was £15.7 million (2002 loss £15.8 million). Shareholders' funds at 31 December 2003 were £14.6 million (2002 deficit £2.6 million).

The directors expect that the present level of activity will continue for the foreseeable future.

GOING CONCERN

The company relies on the future support of Capital Shopping Centres PLC to operate as a going concern.

DIVIDENDS

The directors do not recommend a dividend for the year (2002 £nil).

CREDITOR PAYMENT

The company follows the same policy for creditor payments as its ultimate parent company, Liberty International PLC. The majority of trade creditors are paid in accordance with the CBI's Prompt Payers Code. For other suppliers, the company's policy is to agree terms with suppliers for each transaction, to ensure the terms are stated in contracts and to pay in accordance with those terms. The ratio, expressed in days, between the amounts invoiced to the company in the year and its trade creditors as at 31 December 2003 was 1 day as calculated in accordance with the requirements of the Companies Acts (2002 8 days).

FIXED ASSETS

The movements in fixed assets are set out in note 5.

DIRECTORS IN THE YEAR

J G Abel
P C Badcock
R M Cable
K E Chaldecott
D A Fischel
A C Smith

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS' INTERESTS

During the year no director held a disclosable interest in the shares of the company. The interests of the directors who are also directors of Liberty International PLC and their families, in the share capital of other group companies, are disclosed in the notes of the annual report and accounts of that company. The interests of the remaining directors (i.e. excluding those directors who are also directors of Liberty International PLC) and their families in the share capital of other group companies are shown in the financial statements of the immediate parent company Capital Shopping Centres PLC.

DIRECTORS' RESPONSIBILITIES

The directors are required by United Kingdom company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2003. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

AUDITORS

Elective resolutions are in force to dispense with holding annual general meetings, the laying of annual accounts before the company in general meeting and the appointment of auditors annually. No annual general meeting will be held this year unless a requisition to hold the same is received from a member or the auditors within 28 days of receipt of these report and accounts. In the absence of any such requisition, the auditors, PricewaterhouseCoopers LLP, will be deemed to be re-appointed for each succeeding financial year.

By order of the Board

S Folger

Secretary

11 February 2004

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of CSC Lakeside Limited

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 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 give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you, if in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 give a true and fair view of the state of the company's affairs at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
11 February 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £m	2002 £m
Continuing operations			
Turnover	1	57.0	54.7
Net property investment income.....	1	47.6	45.1
Administrative expenses.....		(1.9)	(1.7)
Operating profit.....		45.7	43.4
Net interest	2	(61.4)	(59.2)
Loss on ordinary activities before taxation	3	(15.7)	(15.8)
Taxation on loss on ordinary activities	4	(1.4)	(0.8)
Loss for the financial year		(17.1)	(16.6)
Retained loss brought forward		(31.5)	(14.9)
Retained loss carried forward.....		(48.6)	(31.5)

There is no difference between the loss on ordinary activities before taxation and the loss for the year and their historical cost equivalents.

The notes on pages 7 to 14 form part of these financial statements.

BALANCE SHEET AT 31 DECEMBER 2003

	Notes	2003 £m	2002 £m
Fixed assets			
Tangible assets:			
Investment properties	5	990.5	938.0
Current assets			
Debtors	6	58.0	136.3
Cash at bank and in hand		16.3	9.2
		74.3	145.5
Creditors: amounts falling due within one year	7	(592.2)	(626.6)
Net current liabilities		(517.9)	(481.1)
Total assets less current liabilities		472.6	456.9
Creditors: amounts falling due after more than one year			
Bank loan	8	(440.8)	(443.7)
Provisions for liabilities and charges	9	(17.2)	(15.8)
Net assets/(liabilities)		14.6	(2.6)
Capital and reserves			
Share capital	10	–	–
Revaluation reserve	11	63.2	28.9
Profit and loss account	11	(48.6)	(31.5)
Equity shareholders' funds		14.6	(2.6)

The notes on pages 7 to 14 form part of these financial statements.

Approved by the Board on 11 February 2004

J G Abel

Director

A C Smith

Director

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	£m	£m
Loss for the financial year	(17.1)	(16.6)
Increase in valuation of investment properties	34.3	34.4
Total recognised gains and losses for the year	<u>17.2</u>	<u>17.8</u>

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED 31 DECEMBER 2003

	2003	2002
	£m	£m
Opening shareholders' funds	(2.6)	(20.4)
Total recognised gains and losses for the year	17.2	17.8
Closing shareholders' funds.....	<u>14.6</u>	<u>(2.6)</u>

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies which have been adopted in the preparation of the financial statements are set out below:

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention as modified by the revaluation of properties as described below.

Completed investment properties

Completed investment properties are professionally valued on a market value basis by external valuers at the balance sheet date. Surpluses and deficits arising during the year are reflected in the revaluation reserve.

Investment properties under development

Investment properties under development are included in the balance sheet at cost. Provision is made where necessary for any anticipated valuation deficiencies arising on completion. Cost includes interest and other attributable outgoings. On completion investment properties under development are transferred to completed investment properties.

Depreciation

In accordance with Statement of Standard Accounting Practice 19 no depreciation is provided in respect of freehold or long leasehold investment properties including integral plant (long leasehold investment properties for this purpose comprise leases with more than 20 years unexpired). The requirement of the Companies Act 1985 is to depreciate all properties but that requirement conflicts with the generally accepted accounting principles set out in Statement of Standard Accounting Practice 19. The directors consider that, as these properties are held for investment, to depreciate them would not give a true and fair view and it is necessary to adopt Statement of Standard Accounting Practice 19 for the accounts to show a true and fair view. The financial effect of the departure from the Act cannot reasonably be quantified as depreciation is only one of the

many factors reflected in the annual valuation of properties so the amount which might otherwise have been charged cannot be separately identified or quantified.

Turnover

Turnover consists of gross rental income calculated on an accruals basis, together with sales and services in the ordinary course of business, excluding sales of investment properties. In accordance with UITF 28, rental income receivable in the period from lease commencement to the earlier of the first market rent review and the lease end date is spread evenly over that period. Any incentive for lessees to enter into a lease agreement is spread over the same period.

PRINCIPAL ACCOUNTING POLICIES

Taxation

Corporation tax is provided at the current rate on taxable profits. Taxation payable upon realisation of revaluation gains recognised in prior periods is recorded as a movement in reserves and reported in the statement of total recognised gains and losses. Deferred taxation is provided in full on timing differences other than valuation surpluses on investments held for the long term where disposal is not contemplated in the foreseeable future. Deferred taxation is provided on the difference between the tax written down value and book value of all assets and on chargeable capital gains on those investments and investment properties earmarked for sale at the date of the accounts. This liability is not discounted. The potential amount of taxation which would be payable if all valuation surpluses on investments held for the long term were to be realised is disclosed in note 4 to the accounts.

Debt instruments

Debt instruments are stated at their net issue proceeds adjusted for amortisation of issue costs.

Cash flow statement

The company is not required to produce a statement of cash flows under Financial Reporting Standard 1 (Revised 1996) as it is a wholly owned subsidiary of Liberty International PLC and the cash flows of the company are included in the consolidated financial statements of the ultimate parent company, which are publicly available.

Related party transactions

The company is ultimately wholly owned by Liberty International PLC, whose consolidated financial statements are publicly available, and therefore the company is exempt under the terms of Financial Reporting Standard 8 from disclosing details of transactions with related parties who are members or investees of the Liberty International PLC group.

1. Turnover and net property investment income

Turnover arose in the United Kingdom from continuing operations and in the opinion of the directors the company carries on only one class of business.

	2003	2002
	£m	£m
Rents receivable	49.6	47.7
Service charge and other income	7.4	7.0
Turnover.....	57.0	54.7
Outgoings.....	(9.4)	(9.6)
Net property investment income	<u>47.6</u>	<u>45.1</u>

The directors believe that the nature of the company's business is such that the analysis of costs required by the Companies Act 1985 is not appropriate. As required by the Act the directors have therefore adopted the above format so that costs are disclosed in a manner appropriate to the company's principal activity.

2. Net interest

	2003	2002
	£m	£m
Interest payable		
Bank loan.....	29.4	29.6
Amounts due to group undertakings	31.2	29.1
Miscellaneous financing costs	0.9	0.8
	<u>61.5</u>	<u>59.5</u>
Interest receivable		
Other	(0.1)	(0.3)
Net interest.....	<u>61.4</u>	<u>59.2</u>

3. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation of £15.7 million (2002 loss £15.8 million) is arrived at after charging:

	2003	2002
	£	£
Auditors' remuneration - audit services	15,000	14,600
Directors' remuneration	nil	nil

There were no employees during the year (2002 nil).

4. Taxation

(a) Taxation charge for the financial year

The differences between the taxation charged for the year and the current standard rate of United Kingdom corporation tax (30%) are shown below:

	2003 £m	2002 £m
Loss on ordinary activities before taxation	(15.7)	(15.8)
Current United Kingdom corporation tax at 30% (2002 30%)	(4.7)	(4.7)
Effects of:		
Capital allowances	(1.1)	(0.8)
Group relief	5.8	5.5
Total current taxation	–	–
Deferred taxation	1.4	0.8
Taxation on loss on ordinary activities	1.4	0.8

(b) Contingent taxation

If deferred taxation were to be provided in respect of all valuation surpluses a provision of £116.5 million (2002 £111.0 million) would be required, assuming investment properties were disposed of at 31 December 2003 at their carrying value. The amount is undiscounted and takes no account of the long term deferral of the liability until eventual disposal, or the benefit from future inflation linked indexation allowances.

5. Investment properties

Completed properties at independent valuation	Freehold £
At 31 December 2002	938.0
Additions	18.2
Surplus on valuation	34.3
At 31 December 2003	990.5

The company's interests in completed investment properties were valued as at 31 December 2003 by external valuers, DTZ Debenham Thorpe Tie Leung Limited, in accordance with the Appraisal and Valuation Manual of RICS, which became effective on 1 May 2003, on the basis of market value. Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller. Market value is estimated without regard to costs of sale or purchase and thus values reported at 31 December 2003 do not include purchasers' costs, whereas at 31 December 2002 the open market value of investment properties included £42.5 million purchasers' costs, in effect reflecting theoretical replacement value. This change in basis constitutes a change in estimation technique.

The historic cost of completed investment properties was £927.3 million (2002 £909.1 million). In accordance with the company's accounting policy and Statement of Standard Accounting Practice 19, no depreciation has been charged in respect of the freehold or long leasehold investment properties. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

Completed properties represent Lakeside Shopping Centre, Thurrock.

6. Debtors

	2003 £m	2002 £m
Rents receivable	1.1	3.1
Amounts due from immediate parent company	–	72.4
Amounts due from group undertakings	51.0	50.5
Other debtors	0.1	0.1
Prepayments and accrued income	5.8	10.2
	<u>58.0</u>	<u>136.3</u>

Amounts due from the immediate parent company and from group undertakings are unsecured, interest free and repayable on demand. The company has given an undertaking that amounts due from the immediate parent company and from group undertakings will not be requested to be paid unless sufficient funds are available in the immediate parent company and group undertakings to repay all other creditor balances.

7. Creditors: amounts falling due within one year

	2003 £m	2002 £m
Bank loan and overdrafts	4.5	2.3
Trade creditors	–	0.2
Amounts due to immediate parent company	4.4	–
Amounts due to group undertakings	560.5	601.1
Other taxation and social security	1.7	1.9
Other creditors	0.2	1.7
Rents receivable in advance	12.2	11.3
Accruals and deferred income	8.7	8.1
	<u>592.2</u>	<u>626.6</u>

Amounts due to the immediate parent company and group undertakings are unsecured, repayable on demand and subordinated to the bank loan (note 8). Interest on amounts due to group undertakings has been charged at a rate of 6.5 per cent per annum (2002 6.5%) and the total interest payable amounted to £31.2 million (2002 £29.1 million).

The immediate parent company and group undertakings have given an undertaking that repayment of amounts owing to them will not be demanded in priority to any other liabilities of the company and unless appropriate funds are available to repay the liabilities and meet the terms of all other creditors.

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

	2003 £m	2002 £m
Bank loan due 2011	440.8	443.7

In July 2001 the company entered into a £550 million loan and revolving facility agreement secured on Lakeside Shopping Centre, Thurrock for a ten year term. The loan is stated at the fair value of the consideration received after deduction of unamortised costs of £3.6 million (2002 £4.0 million). Amounts due to the immediate parent company and group undertakings are subordinate to the bank loan.

9. Provisions for liabilities and charges

	Deferred taxation £m
At 31 December 2002	15.8
Charged to the profit and loss account	1.4
At 31 December 2003	<u>17.2</u>

Provisions for liabilities and charges represents a deferred taxation liability relating to capital allowances claimed on plant and machinery within investment properties.

10. Share capital

	2003 £m	2002 £m
Authorised		
100 ordinary shares of £1 each:	100	100
Issued, called up and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

11. Reserves

	Revaluation reserve £m	Profit and loss account £m	Total £m
At 31 December 2002	28.9	(31.5)	(2.6)
Retained loss	–	(17.1)	(17.1)
Increase in valuation of investment properties.....	34.3	–	34.3
At 31 December 2003	<u>63.2</u>	<u>(48.6)</u>	<u>14.6</u>

12. Ultimate parent company

The ultimate parent company is Liberty International PLC, a company incorporated and registered in England and Wales, copies of whose accounts may be obtained from the Company Secretary, 40 Broadway, London, SW1H 0BT. The immediate parent company is Capital Shopping Centres PLC, a company incorporated and registered in England and Wales, copies of whose accounts may be obtained as above.

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