OFFERING CIRCULAR

€302,900,300

KHRONOS (EUROPEAN LOAN CONDUIT NO. 17) S.A.

Commercial Mortgage Backed Floating Rate Notes due 2013

*Application has been made to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") for the €215,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class A Notes**"), the €27,300,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class B Notes**"), the €28,700,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class C Notes**"), the €9,100,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class D Notes**"), the €10,600,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class E Notes**") and the €12,200,300 Class F Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class F Notes**" and, together with the Class A Notes, the Class B Notes, the Class C Notes, Class D Notes and the Class E Notes, the "**Notes**") of Khronos (European Loan Conduit No. 17) S.A. (the "**Issuer**") to be admitted to the Official List of the Irish Stock Exchange. A copy of this offering circular (this "**Offering Circular**"), which comprises approved listing particulars with regard to the Issuer and the Notes in accordance with requirements of the European Communities (Stock Exchange) Regulations, 1984 (as amended) of Ireland (the "**Regulations**"), has been delivered to the Registrar of Companies in Ireland in accordance with the Regulations.*

*Interest on the Notes will be payable quarterly in arrear in euro on the 18th day of February, May, August and November in each year, subject to adjustment for non-business days as described herein (each a "**Note Interest Payment Date**"). The first Note Interest Payment Date will be 18th February, 2004. The interest rate applicable to the Notes from time to time will be determined by reference to the European Interbank Offered Rate ("**EURIBOR**") for three-month euro deposits (or, in the case of the first Note Interest Period (as defined herein), a rate determined by the linear interpolation of EURIBOR for two and three-month euro deposits) plus a margin which will be different for each class of Notes, as set out under "Margin over EURIBOR" in the table below.*

*The Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes are expected on issue to be assigned the ratings set out opposite the relevant class in the table below by Fitch Ratings Ltd ("**Fitch**"), Moody's Investors Services 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 of each class of Notes from the Rating Agencies only address the likelihood of timely receipt by the Noteholders of the relevant class of interest on the Notes of that class and the likelihood of ultimate receipt by the Noteholders of the relevant class of principal of the Notes of that class by the relevant Maturity Date, and do not address the likelihood of receipt by any Noteholder of any class of principal prior to the relevant Note Maturity Date.*

	Expected Ratings			Initial Principal	Margin over	Estimated	Expected Final Interest		
Class	Fitch	Moody's	S&P	Amount	EURIBOR[1]	Average Life	Payment Date	Maturity Date	Issue Price[2]
A	AAA	Aaa	AAA	€215,000,000	0.38 per cent.	3.4 years	18th February, 2009	18th February 2013	100%
B	AA	Aa2	AA	€27,300,000	0.60 per cent.	5.1 years	18th November, 2009	18th February 2013	100%
C	A	A2	A	€28,700,000	0.90 per cent.	5.2 years	18th November, 2009	18th February 2013	100%
D	BBB+	Baa2	BBB+	€9,100,000	1.75 per cent.	5.2 years	18th November, 2009	18th February 2013	100%
E	BBB-	-	BBB	€10,600,000	2.25 per cent.	5.2 years	18th November, 2009	18th February 2013	100%
F	-	-	BB	€12,200,300	3.00 per cent.	5.3 years	18th February, 2010	18th February 2013	100%

(1) *Interest on the Class E Notes and the Class F Notes is limited, in accordance with Condition 5(i), to an amount equal to the lesser of (a) the Note Interest Amount in respect of such class of Notes for that Note Interest Payment Date, and (b)(i) the Available Issuer Interest Receipts in respect of the relevant Note Interest Payment Date, minus (ii) the sum of all amounts payable out of Available Issuer Interest Receipts on such Note Interest Payment Date in priority to the payment of interest on such Class of Notes.*

(2) *Plus accrued interest, if any.*

*The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by, Morgan Stanley Dean Witter Bank Limited ("**MSDW Bank**") or any affiliate of MSDW Bank, or of or by the Managers, the Collateral Manager, the Special Collateral Manager, the Cash Manager, the Note Trustee, the Issuer Security Trustee, the Corporate Services Provider, the Domiciliation Agent, the Share Trustee, the Nominee Trustee, the Principal Paying Agent, any other Paying Agent, the Sub-Paying Agent, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Swap Provider, the Swap Guarantor, the Depository, the Exchange Agent, the Issuer Operating Bank, the French Issuer, the French Issuer Related Parties, the Irish Issuer, the Irish Issuer Related Parties or the Belgian Security Agent (each as defined herein) or any of their respective affiliates and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.*

*The Notes will be issued simultaneously on the Closing Date. All Notes will be secured by the same security, subject to the priority described in this Offering Circular. Notes of each class will rank pari passu with and without priority over other Notes of the same class. Prior to redemption on the Note Interest Payment Date falling in February 2013 (the "**Note Maturity Date**"), the Notes will be subject to mandatory redemption in certain circumstances. See "Terms and Conditions of the Notes — Redemption and Cancellation" at page 235.*

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER RELEVANT JURISDICTION. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "INVESTMENT COMPANY ACT").

THE NOTES ARE BEING OFFERED AND SOLD ONLY (A) WITHIN THE UNITED STATES IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("RULE 144") TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED THEREIN ("QUALIFIED INSTITUTIONAL BUYERS") THAT ARE ALSO QUALIFIED PURCHASERS WITHIN THE MEANING OF SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT ("QUALIFIED PURCHASERS") AND (B) OUTSIDE THE UNITED STATES TO PERSONS (OTHER THAN U.S. PERSONS) PURSUANT TO REGULATION S UNDER THE SECURITIES ACT ("REGULATION S"). FOR FURTHER INFORMATION ABOUT CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE "TRANSFER RESTRICTIONS".

THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS DOCUMENT NOR ANY PART HEREOF NOR ANY OTHER OFFERING CIRCULAR, PROSPECTUS, FORM OF APPLICATION, ADVERTISEMENT, OTHER OFFERING MATERIAL OR OTHER INFORMATION MAY BE ISSUED, DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION (INCLUDING THE UNITED KINGDOM), EXCEPT IN CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ALL APPLICABLE LAWS, ORDERS, RULES AND REGULATIONS.

If any withholding or deduction for or on account of tax is applicable to payments of interest or principal on the Notes, such payments will be made subject to such withholding or deduction without the Issuer being obliged to pay any additional amounts as a consequence.

*The Notes are expected to settle in book-entry form through the facilities of DTC, Euroclear and Clearstream, Luxembourg (each as defined herein) on or about 12th December, 2003 (the "**Closing Date**") against payments therefor in immediately available funds. The Class F Notes are expected to trade in the Private Offerings, Resales and Trading through Automatic Linkages Market, also known as the PORTAL Market.*

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

MORGAN STANLEY

Crédit Agricole Indosuez *Société Générale*

The date of this Offering Circular is 10th December, 2003. All matters described in this Offering Circular relate to circumstances existing on that date.

IMPORTANT NOTICE

The Notes of each class sold in reliance upon Rule 144A (the **Rule 144A Notes**") will on issue be represented by two global notes in bearer form for each such class of Notes (each a "**Rule 144A Global Note**" and together the "**Rule 144A Global Notes**"). The Notes of each class sold in offshore transactions in reliance on Regulation S (the "**Reg S Notes**") under the Securities Act ("**Regulation S**") will initially be represented by a global note in bearer form for each such class of Notes (each a "**Reg S Global Note**" and together the "**Reg S Global Notes**").

The Rule 144A Global Notes and the Reg S Global Notes will be deposited with or to the order of HSBC Bank USA, as book-entry depository (the "**Depository**") pursuant to a depository agreement among the Issuer, the Depository, the Note Trustee and the Issuer Security Trustee (the "**Depository Agreement**"). The Depository will, for each class of Notes (a) register a certificateless depository interest in respect of one of the Rule 144A Global Notes in the name of The Depository Trust Company ("**DTC**") or its nominee, (b) issue a certificated depository interest in respect of the other Rule 144A Global Note to HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee on behalf of HSBC Bank plc (the "**Common Depositary**") as common depositary for the account of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), and (c) issue a certificated depository interest in respect of the Reg S Global Note to the Common Depositary (each certificateless depository interest and certificated depository interest, a "**CDI**"). The Depository, acting as agent of the Issuer, will maintain a book-entry system in which it will register DTC (or a nominee of DTC) as the owner of the certificateless depository interests in respect of the Rule 144A Global Note held by DTC or its nominee and the Common Depositary (or a nominee of the Common Depositary) as the owner of the certificated depository interests held in respect of the Rule 144A Global Note by the Common Depositary (or a nominee of the Common Depositary). Transfer of all or any portion of the interests in the Rule 144A Global Notes or the Reg S Global Notes may be made only through the book-entry system maintained by the Depository. Each of DTC, Euroclear and Clearstream, Luxembourg will record the beneficial interests in the CDIs attributable to the relevant Global Notes ("**Book-Entry Interests**"). Book-Entry Interests in the CDIs will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by DTC, Euroclear or Clearstream, Luxembourg, and their respective participants. Prior to the 40th day after the Closing Date, beneficial interests in the Reg S Global Notes may be held only through Euroclear or Clearstream, Luxembourg. No person who owns a Book-Entry Interest will be entitled to receive a Note in definitive form (a "**Definitive Note**")) unless Definitive Notes are issued in the limited circumstances described in "Terms and Conditions of the Notes - Definitive Notes" at page 225. Definitive Notes will be issued in registered form only. For further information, see also "Description of the Notes and the Depository Agreement" at page 219.

Holders of beneficial interests in the Rule 144A Global Notes who hold such interests directly with DTC or through its participants and who wish payments to be made to them in euro outside DTC must give advance notice thereof to DTC in accordance with the rules and procedures of DTC prior to each Note Interest Payment Date. If such instructions are not given, euro payments on the Rule 144A Global Notes will be exchanged for dollars by the Exchange Agent (as defined herein) prior to their receipt by DTC and the affected holders will receive dollars on the relevant Note Interest Payment Date. For further information, see also "Description of the Notes and the Depository Agreement - Payments on Global Notes" at page 220.

Except as set forth in the following two paragraphs, 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.

MSDW Bank accepts responsibility for the section headed "The Originated Assets - The Origination Process" on pages 89 through 93. To the best of the knowledge and belief of MSDW Bank, the information contained in that section is in accordance with the facts and does not omit anything likely to affect the import of that information.

EFP Elancourt, a company incorporated in France (the "**First Principal Borrower**") accepts responsibility for all information relating to it in "Appendix 1 – The First Principal Borrower" at page 23, and CEREP Carillon SARL, a company incorporated in France (the "**Second Principal Borrower**") accepts responsibility for all information relating to it in "Appendix 2 – The Second Principal Borrower" at page 276.

Except as set forth above, no person is or has been authorised in connection with the issue and sale of the Notes to give any information or to make any representation not contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, MSDW Bank, the Managers, the Collateral Manager, the Special Collateral Manager, the Cash

Manager, the Note Trustee, the Issuer Security Trustee, the Corporate Services Provider, the Domiciliation Agent, the Share Trustee, the Nominee Trustee, the Principal Paying Agent, any other Paying Agent, the Sub-Paying Agent, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Swap Provider, the Swap Guarantor, the Depository, the Exchange Agent, the Issuer Operating Bank, the French Issuer, the French Issuer Related Parties, the Irish Issuer, the Irish Issuer Related Parties or the Belgian Security Agent. Neither the delivery of this Offering Circular nor any sale or allotment made in connection with the offering of any of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the information contained herein since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

Other than the approval by the Irish Stock Exchange of this Offering Circular as listing particulars in accordance with the requirements of the Regulations and the delivery of a copy of this Offering Circular to the Registrar of Companies in Ireland for registration in accordance with the Regulations, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction where action for that purpose is required. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part hereof) comes are required by the Issuer and the Managers to inform themselves about, and to observe, any such restrictions. Neither this Offering Circular nor any part hereof constitutes an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe for or purchase any of, the Notes and neither this Offering Circular, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For further information about certain restrictions on offers and sales of the Notes and distribution of this Offering Circular (or any part hereof), see "Notice to U.S. Investors" on page 4, "Subscription and Sale" at page 262 and "Transfer Restrictions" at page 266.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY RULE 144A NOTES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A AND AN EXCLUSION FROM THE DEFINITION OF "INVESTMENT COMPANY" UNDER THE INVESTMENT COMPANY ACT AND NO TRANSFER OF A RULE 144A NOTE MAY BE MADE WHICH WOULD CAUSE THE ISSUER TO BECOME SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE INVESTMENT COMPANY ACT.

EACH PURCHASER OF NOTES OFFERED HEREBY WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS AS SET FORTH HEREIN UNDER "TRANSFER RESTRICTIONS" AND "U.S. ERISA CONSIDERATIONS". THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN UNDER "TRANSFER RESTRICTIONS" AND "U.S. ERISA CONSIDERATIONS".

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES' SECURITIES AND EXCHANGE COMMISSION (THE "**SEC**"), ANY STATE SECURITIES COMMISSION OR ANY OTHER REGULATORY AUTHORITY, NOR HAS ANY OF THE FOREGOING AUTHORITIES PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFERING CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

THE REG S NOTES AND CERTAIN OF THE RULE 144A NOTES ARE NOT DESIGNED FOR, AND MAY NOT BE PURCHASED OR HELD BY, ANY "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES' EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") WHICH IS SUBJECT THERETO), OR ANY "PLAN" (AS DEFINED IN SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") WHICH IS SUBJECT THERETO), OR BY ANY PERSON ANY OF THE ASSETS OF WHICH ARE, OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE, ASSETS OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN, AND EACH PURCHASER OF A REG S NOTE WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT IT IS NOT, AND FOR SO LONG AS IT HOLDS A REG S NOTE WILL NOT BE, SUCH AN EMPLOYEE BENEFIT PLAN, PLAN OR PERSON. FOR FURTHER INFORMATION, SEE "ERISA CONSIDERATIONS".

The Notes are expected to settle in book-entry form through the facilities of Euroclear and Clearstream, Luxembourg (in the case of the Reg S Notes) or DTC (in the case of the Rule 144A Notes).

An investment in the Notes is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such an investment.

NOTICE TO U.S. INVESTORS

Each purchaser of the Notes will be deemed to have made the representations, warranties and acknowledgements that are described in this Offering Circular under "Transfer Restrictions" at page 266.

The Notes have not been and will not be registered under the Securities Act and are subject to certain restrictions on transfer. Prospective purchasers are hereby notified that the seller of any Note may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain further restrictions on resale or transfer of the Notes, see "Description of the Notes and the Depository Agreement" and "Transfer Restrictions" at page 219 and page 266, respectively.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any of the Notes are restricted securities within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the United States Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of such restricted securities or to any prospective purchaser designated by such holder or beneficial owner of such restricted securities in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such restricted securities or any interest therein, in each case at the request of such holder, beneficial owner or prospective purchaser to the Issuer, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF JUDGMENTS

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

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE STATE OF NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

INFORMATION AS TO PLACEMENT WITHIN THE UNITED STATES OF AMERICA

This Offering Circular has been prepared by the Issuer solely for use in connection with the offering. This Offering Circular is personal to each potential investor to whom it has been delivered by the Issuer or any of the Managers or any of their respective affiliates and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Distribution of this Offering Circular in the United States of America to any persons other than the potential investors and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the prior written consent of the Issuer, is prohibited.

FORWARD-LOOKING STATEMENTS

Certain matters contained herein are forward-looking statements within the meaning of the United States' Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Offering Circular, including with respect to assumptions on prepayment and certain other characteristics of the Loans, the French Units, the Irish Notes and the Belgian Bonds (each as defined below), and reflect significant

assumptions and subjective judgments by the Issuer that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and changes in governmental regulations, fiscal policy, planning or tax laws in any of Belgium, France, Ireland or Luxembourg. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. None of the Managers have attempted to verify any such statements, nor do they make any representation, express or implied, with respect thereto.

PLACEMENT WITHIN AUSTRIA

The Notes may only be offered in Austria in compliance with the provisions of the Austrian Capital Markets Act and other laws applicable in governing the offer and sale of the Notes in Austria. The Notes are not registered or otherwise authorised for public offer under the Austrian Capital Markets Act. The recipients of this Offering Circular and other selling material in respect of the Notes have been individually selected and are targeted exclusively on the basis of a private placement. Accordingly, the Notes must not be, and are not being, offered or advertised, and no offering or marketing materials relating to the Notes must be made available or distributed in any way which would constitute a public offer under the Austrian Capital Markets Act (whether presently or in the future).

PLACEMENT WITHIN BELGIUM

The Notes may not be offered for sale to the public in Belgium and no steps may be undertaken that could consist of a public offering of the Notes in Belgium. This Offering Circular has not been submitted to the Belgian Banking and Finance Commission for approval, nor has the latter reviewed, approved or commented on its accuracy or adequacy or recommended or endorsed the purchase of the Notes. The Notes may be offered to institutional investors within the meaning set out in the Belgian Royal Decree of 7th July, 1999 on the public character of securities offerings.

With respect to the offering of the Notes, no services may be rendered in or targeted at Belgium that would constitute financial services within the meaning of the Law of 2nd August, 2002 on the supervision of financial markets and financial services.

PLACEMENT WITHIN DENMARK

The Notes will not be offered, sold or delivered directly or indirectly in Denmark by way of a public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 587 of 9th July, 2002, as amended from time to time and any Orders issued thereunder.

The Notes will not be offered, sold or delivered in Denmark except where the Notes are offered to Danish professional investors acting in the course of their ordinary business, or where the minimum amount to be paid for the Notes is Danish Krone 300,000 (or the equivalent in another currency).

PLACEMENT WITHIN FRANCE

This Offering Circular has not been submitted to the clearance procedures of the *French Commission des opérations de bourse* and may not be used in connection with any offer to the public to purchase or sell any Notes in France. Offers and sales of Notes in France may only be made in France to qualified investors (*investisseurs qualifiés*) and/or to a limited group of investors (*cercle restreint d'investisseurs*), in each case, acting for their own account, all as defined in, and in accordance with, Article L.411-1 and Article L.411-2 of the *Code monétaire et financier* and Decree no. 98-880 dated 1st October, 1998 relating to offers to a limited number of investors and/or qualified investors.

PLACEMENT WITHIN GERMANY

No German sales prospectus (*Verkaufsprospekt*) within the meaning of the Securities Sales Prospectus Act of Germany (*Wertpapier-Verkaufsprospektgesetz*) of 9th September, 1998, as amended (the "**German Prospectus Act**") has been or will be published with respect to the Notes. Accordingly, the Notes may be offered and sold in Germany only in accordance with any of the exemptions provided in the German Prospectus Act.

PLACEMENT WITHIN IRELAND

Except in circumstances which do not constitute an offer to the public within the meaning of the Irish Companies Acts, 1963-2001, the Notes will not be offered or sold in Ireland or elsewhere by means of any document prior to an application for listing of the Notes being made, the Irish Stock Exchange approving the Offering Circular in accordance with the Regulations, the approved Offering Circular being filed with the Irish Companies Registration Office and thereafter by means of any document other than (a) the relevant approved Offering Circular and/or (b) the form of application issued in connection with the Notes with the approved Offering Circular attached. This Offering Circular and any applications for the Notes may only be distributed, offered or sold (as the case may be) in conformity with the provisions of the Irish Investment Intermediaries Act 1995 (as amended) and the Irish Companies Acts, 1963-2001.

PLACEMENT WITHIN JERSEY

The Notes have not been offered or sold and are not being offered or sold to persons in Jersey except 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 who it is reasonable to expect will acquire, hold, arrange or dispose of investments (as principal or agent) for the purposes of their business and have not been offered or sold and are not being offered or sold in circumstances which have resulted or would result in an offer to the public within the meaning of the Control of Borrowing (Jersey) (Order) 1958 as amended or the Companies (Jersey) Law 1991, as amended.

PLACEMENT WITHIN LUXEMBOURG

No action has or will be taken that would permit a public offer of the Notes in Luxembourg. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other circular, prospectus, form or application, advertisement or other material may be distributed, in or from or published in Luxembourg, except under circumstances that would result in compliance with Luxembourg laws and regulations.

PLACEMENT WITHIN PORTUGAL

The Notes will not be directly or indirectly offered, advertised, sold, re-sold or delivered in circumstances which could qualify as a public offer pursuant to the *Código dos Valores Mobiliários* or in circumstances which could qualify the issue of Notes as an issue in the Portugese market.

This Offering Circular, or any other document, circular, advertisement or any offering material relating to the Notes, will not be directly or indirectly distributed, except in accordance with all applicable laws and regulations of Portugal.

PLACEMENT WITHIN SWEDEN

The Notes will not, directly or indirectly, be offered or sold and invitations will not be issued to subscribe for the Notes and no drafts or definitive documents in relation to any such offer, invitation or sale in Sweden will be made, except in compliance with the laws of Sweden and, in particular, unless the offer, sale, issue or distribution is made to a "non-closed group" (*öppen krets*) or if the minimum amount to be paid by an investor for the Notes is Swedish Krona 300,000 (or the equivalent in another currency).

PLACEMENT WITHIN THE UNITED KINGDOM

The Notes have not been offered or sold and, prior to the expiry of the period of six months from the Closing Date, may not be offered or sold 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 in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995.

All references in this document to "**euro**" *or* "**EURO**" *or* "**ε**" *are to the lawful currency of the member states of the European Union that have adopted the single currency in accordance with the EC Treaty and references to* "**dollars**" *or "***U.S.$**" *are to the lawful currency for the time being of the United States of America.*

In connection with this issue, Morgan Stanley & Co. International 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. However, there may be no obligation on

Morgan Stanley & Co. International 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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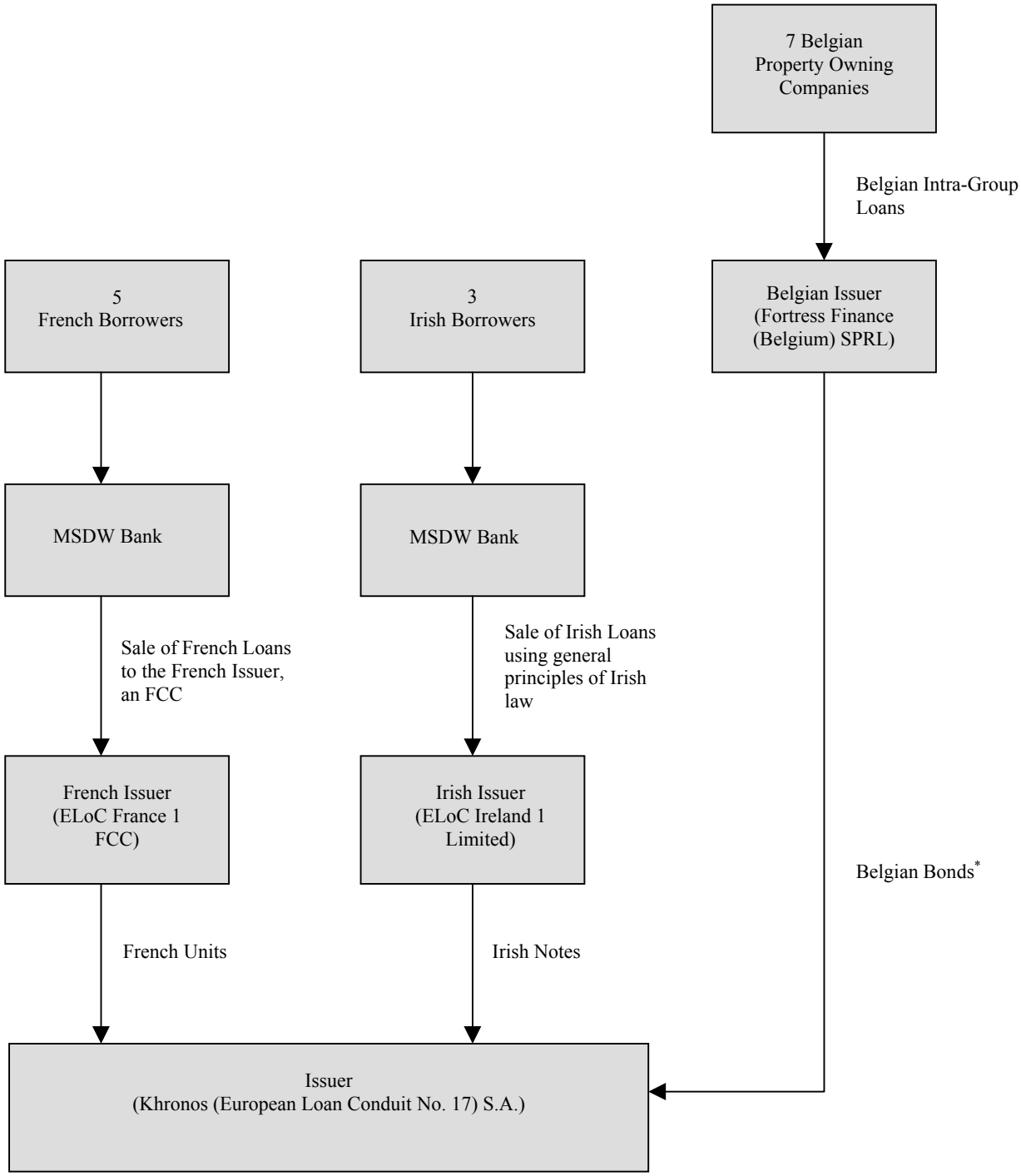
STRUCTURE DIAGRAM



* Prior to the Closing Date, the Belgian Bonds are held by MSDW Bank and Morgan Stanley & Co. Incorporated. On the Belgian Bond Transfer Date, Morgan Stanley & Co. Incorporated will transfer the one Belgian Bond held by it to MSDW Bank. The Belgian Bonds will then be transferred by MSDW Bank to the Issuer in their entirety using general principles of Belgian law, such transfer also occurring on the Belgian Bond Transfer Date.

SUMMARY

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

Transaction Overview

The transaction described in this Offering Circular involves the issuance of the Notes.

As is described in further detail in this Offering Circular, the payment of interest on and the repayment of principal of the Notes is primarily funded from payments of interest on and the repayment of principal of certain loans originated by MSDW Bank or notes subscribed for or acquired by MSDW Bank.

The loans or notes in question are directly or indirectly secured upon, among other things, commercial real properties situated in each of France, Ireland and Belgium. The transaction described in this Offering Circular has been structured to take into account the relevant laws of each of these jurisdictions.

On the Closing Date, the Issuer will issue the Notes and will apply the proceeds of such issuance as follows:

(a) it will subscribe for certain units (the "**French Units**") in an aggregate principal amount on issuance of ε189,282,900. The French Units will be issued by ELoC France 1 FCC (the "**French Issuer**") on the Closing Date;

(b) it will subscribe for certain notes (the "**Irish Notes**") in an aggregate principal amount on issuance of ε54,903,400. The Irish Notes will be issued by ELoC Ireland 1 Limited (the "**Irish Issuer**") on the Closing Date; and

(c) it will credit an account in its name (the "**Issuer Deposit Account**") with an amount of ε58,714,000 for the purpose of purchasing, from MSDW Bank, certain notes (the "**Belgian Bonds**") in an aggregate principal amount of ε58,714,000, the purchase of the Belgian Bonds occurring on 5th February, 2004 (the "**Belgian Bond Transfer Date**") rather than on the Closing Date. The Belgian Bonds were issued by Fortress Finance (Belgium) S.P.R.L. (the "**Belgian Issuer**") on 7th November, 2002.

The French Units, the Irish Notes and the Belgian Bonds are together referred to as the "**Issuer Assets**" and each is referred to as an "**Issuer Asset**".

For further information about the subscription or purchase, as the case may be, of each of the Issuer Assets, see "Sale of the Originated Assets" at page 117.

The French Issuer will use the proceeds of the subscription for the French Units to purchase from MSDW Bank the right to receive payments of interest and repayments of principal in respect of five loans in an aggregate outstanding principal amount, as at 30th September, 2003 (the "**Cut-Off Date**"), of ε190,327,692 and as at the Closing Date of ε189,282,939 (the "**French Loans**" and the "**French Loan Receivables**", as the case may be) together with the related security therefor (the "**French Related Security**" and together with the French Loan Receivables, the "**French Issuer Assets**"). The French Loans were originated by MSDW Bank between August 2002 and July 2003. The Irish Issuer will use the proceeds of the subscription for the Irish Notes to purchase from MSDW Bank the right to receive payments of interest and repayments of principal in respect of two loans in an aggregate outstanding principal amount, as at the Cut-Off Date, of ε55,081,237 and as at the Closing Date of ε54,903,474 (the "**Irish Loans**" and the "**Irish Loan Receivables**", as the case may be) together with the related security therefor (the "**Irish Related Security**" and together with the Irish Loan Receivables and other rights under the Irish Loan Agreements purchased by the Irish Issuer from MSDW Bank, the "**Irish Issuer Assets**"). The Irish Loans were originated by MSDW Bank in May 2001.

The French Issuer Assets, the Irish Issuer Assets and the Belgian Bonds are together referred to as the "**Originated Assets**" and each is referred to as an "**Originated Asset**". For the avoidance of doubt, the Belgian Bonds are included in the definitions of both Issuer Assets and Originated Assets. The French Loans, the Irish Loans and the Belgian Bonds are also collectively referred to as "**Loans**" and each individually (including the Belgian Bonds, unless expressly stated to the contrary) as a "**Loan**". References to "origination" shall, unless expressly stated to the contrary, include the subscription for the Belgian Bonds. References to a "**Borrower**" or the "**Borrowers**" shall include the French Borrowers, the Irish Borrowers and shall, unless expressly stated to the contrary, include the Belgian Issuer.

The French Loans, the terms of each of which are set out in separate loan agreements (each a "**French Loan Agreement**" and together the "**French Loan Agreements**"), are secured by, among other things, lender's privileges (*privilège de prêteur de deniers*) and mortgages (*hypothèques*) governed by French law over six commercial properties situated in Jouy-en-Josas, Elancourt, Montrouge, Colombes and Nanterre, all of which are in Ile-de-France, France (the "**French Properties**"). The French Units will have the benefit of all the security interests granted in respect of the French Loans. The Irish Loans, the terms of each of which are set out in two separate loan agreements (each an "**Irish Loan Agreement**" and together the "**Irish Loan Agreements**"), are secured by, among other things, a mortgage governed by Irish law over one commercial property situated in Dublin, Ireland (the "**Irish Property**"). The Irish Notes will have the benefit of all the security interests granted in respect of the Irish Loans. The Belgian Bonds are secured by, among other things, guarantees, pledges and mortgages (*hypotheek/hypothèque*) governed by Belgian law over eight commercial properties situated in Brussels, Waterloo, Zaventem Groot-Bijgaarden and Sint-Stevens-Woluwe, all of which are located in the Brussels and Flanders regions of Belgium (the "**Belgian Properties**").

For further information about each of the Originated Assets see, "The Originated Assets – The French Issuer Assets - The French Related Security" at page 98, "The Originated Assets – The Irish Issuer Assets – Related Security for Irish Loans" at page 106 and the "The Originated Assets – The Belgian Bonds – Belgian Security" at page 113.

The French Properties, the Irish Property and the Belgian Properties are together referred to as the "**Properties**", and each as a "**Property**".

Save as described below under "Risk Factors – Factors Relating to the Originated Assets – The Property" at page 58 and as set out in the tables entitled "Property Information" in "The Loan and the Related Property Summaries" from page 138 to page 156, the Properties are fully let to one or more tenants and, as such, generate an entitlement to a regular periodic rental income (the "**Rental Income**"). At the time each Originated Asset was originated, security interests were granted over the Rental Income from time to time generated by the Property or Properties the subject of such financing, for the benefit of the Originator.

The Rental Income generated by the French Properties will be applied by the borrowers of the French Loans (the "**French Borrowers**" and each a "**French Borrower**"), among other things, in or towards making payments of interest and repayments of principal in respect of the French Loans to the French Issuer. Such amounts will, in turn, be applied by the French Issuer, among other things, in or towards making payments of interest and repayments of principal in respect of the French Units to the Issuer. The Rental Income generated by the Irish Property will be applied by the borrowers of the Irish Loans (the "**Irish Borrowers**" and each an "**Irish Borrower**"), among other things, in or towards making payments of interest and repayments of principal in respect of the Irish Loans to the Irish Issuer. Such amounts will, in turn, be applied by the Irish Issuer, among other things, in or towards making payments of interest and repayments of principal in respect of the Irish Notes to the Issuer. The Rental Income generated by the Belgian Properties will be applied by the Belgian Property Owning Companies to, among other things, pay interest on and repay the principal of the Belgian Intra-Group Loans made to them by the Belgian Issuer and such payments of interest and repayments of principal will be used by the Belgian Issuer, among other things, in or towards making payments of interest and repayments of principal in respect of the Belgian Bonds to the Issuer. To the extent that Rental Income is insufficient to repay principal on any of the Loans included in the Originated Assets in full on or before the scheduled maturity date of such Originated Assets and the applicable Properties have not previously been sold, it is anticipated that such repayment will be made through the proceeds of the refinancing of the relevant Loans (the "**Refinancing Proceeds**") or the proceeds of sale of the relevant Properties (the "**Disposal Proceeds**").

Payments of interest and repayments of principal in respect of the Issuer Assets will thus be funded, directly or indirectly, through the Originated Assets, from Rental Income, Refinancing Proceeds or Disposal Proceeds, such amounts, in turn, constituting the principal sources from which payments of interest and repayments of principal in respect of the Notes will be made.

Each of the French Loans, the Irish Loans and the Belgian Bonds bears interest at a fixed rate. The French Units and the Irish Notes are structured as "pass through" debt instruments, transferring fixed rate interest payments on the French Loans and the Irish Loans, as applicable, to the Issuer less, in each case, certain expenses. The Issuer thus receives interest payments based on a fixed rate of interest in respect of the French Units and the Irish Notes. The Issuer also receives fixed rate interest payments on the Belgian Bonds. The Notes, however, bear interest at a floating rate. The Issuer is therefore exposed to the risk of an interest rate mismatch arising between the fixed rate interest payments received on the Issuer Assets and the floating rate interest liability on the Notes. In order to protect the Issuer against the interest rate risk, the Issuer will enter into a series of interest rate swap transactions (each a "**Swap Transaction**" and together the "**Swap Transactions**"), in respect of the interest payable to the Issuer on the Issuer Assets. The counterparty to the

Swap Transactions will be the Swap Provider, whose obligations under such transactions will be guaranteed by the Swap Guarantor.

Payments of interest and repayments of principal in respect of the Issuer Assets may, under certain circumstances, be delayed. Such delays could impact upon the ability of the Issuer to make timely payments of interest and repayments of principal in respect of the Notes. In order to protect the Issuer against this risk, the Issuer will enter into a liquidity facility agreement (the "**Liquidity Facility Agreement**") with Barclays Bank PLC (the "**Liquidity Facility Provider**").

There is no intention to accumulate any surplus funds in any of the French Issuer or the Irish Issuer as security for any future payments of interest and principal on the French Units or the Irish Notes, respectively, though each will have a transaction account to which funds will be credited from time to time. There is no intention to accumulate any surplus funds in the Issuer on any Note Interest Payment Date as security for any future payments of interest and principal on the Notes falling due on subsequent Note Interest Payment Dates, though the Issuer will have a transaction account to which funds will be credited from time to time.

The Originator and its Related Parties

The Originator ..... MSDW Bank (the "**Originator**" and the "**Lender**").

Each of the French Loans and the Irish Loans were originated by the Originator. The Belgian Bonds were subscribed for by the Originator and, in respect of a single Belgian Bond, an affiliate of the Originator, Morgan Stanley & Co. Incorporated. Immediately before the sale of the Belgian Bonds to the Issuer on the Belgian Bond Transfer Date, Morgan Stanley & Co. Incorporated will sell to MSDW Bank the single Belgian Bond of which it is the registered owner pursuant to the Single Belgian Bond Sale Agreement; the Belgian Bonds sold by MSDW Bank to the Issuer will, thus, comprise all Belgian Bonds issued by the Belgian Issuer.

For further information about the Originator, see "The Parties – The Originator and its Related Parties – The Originator" at page 83.

The Irish Loan Security Trustee ..... With respect to the Irish Loans, Morgan Stanley Mortgage Servicing Limited ("**MSMS**" and in such capacity, the "**Irish Loan Security Trustee**").

Prior to the Closing Date, the Irish Related Security is held on trust by the Irish Loan Security Trustee for the benefit of, among others, the Originator. Following the Closing Date, the Irish Related Security will be held on trust by the Irish Loan Security Trustee for the benefit of, among others, the Irish Issuer.

The trust over the Irish Related Security is governed by Irish law.

For further information about the Irish Loan Security Trustee, see "The Parties – The Originator and its Related Parties – The Irish Loan Security Trustee" at page 83.

The Issuer and its Related Parties

The Issuer..... Khronos (European Loan Conduit No.17) S.A. (the "**Issuer**").

The Issuer is a *société anonyme* incorporated under the laws of Luxembourg. The activities of the Issuer are restricted to entering into securitisation transactions, issuing bonds, debentures and securities of any nature to fund the acquisition, management and disposal of securitised assets, including issuing the Notes, and entering into transactions incidental to these activities. The Issuer may, after the Notes have been redeemed in full, purchase other loan receivables secured over commercial real properties located in Western Europe and may issue notes to fund such purchases.

For further information about the Issuer, see "The Parties - The Issuer and its Related Parties – The Issuer" at page 79 and "The Issuer" at page 79.

The Note Trustee ..... HSBC Bank USA (in such capacity, the "**Note Trustee**").

The Note Trustee will act as trustee for the holders of the Notes pursuant to a note trust deed (the "**Note Trust Deed**") between the Note Trustee and the Issuer.

The Note Trust Deed will be governed by English law.

For further information about the Note Trustee, see "The Parties – The Issuer and its Related Parties – The Note Trustee" at page 83 and 84.

The Issuer Security Trustee ..... HSBC Bank USA (in such capacity, the "**Issuer Security Trustee**").

The Issuer Security Trustee will, pursuant to the Issuer Deed of Charge and Assignment, act as trustee of the Issuer Security for the entities having the benefit of such security (the "**Issuer Secured Parties**"), although in relation to the security interests granted by the Issuer in respect of the French Units and the Belgian Bonds, it will act in the capacity of a security agent rather than trustee in order to conform with the requirements of French or Belgian law, as applicable.

For further information about the Issuer Security Trustee, see "The Parties – The Issuer and its Related Parties – The Issuer Security Trustee" at page 84. For further information about the Issuer Security, see "Credit Structure – Security Interests and Post-Enforcement Priority of Payments" at page 210.

The Collateral Manager ..... MSMS will act as collateral manager for the Issuer (in such capacity, the "**Collateral Manager**") in respect of the Issuer Assets, pursuant to a collateral management agreement (the "**Collateral Management Agreement**") between, among others, the Issuer, the Collateral Manager, the Special Collateral Manager and the Issuer Security Trustee. The Collateral Manager will be appointed by the Issuer and the Issuer Security Trustee to manage the Issuer Assets. Under the terms of the Collateral Management Agreement, the Collateral Manager, and, under certain circumstances, the Special Collateral Manager, will be required to provide directions in relation to the servicing of the Originated Assets to the servicers or sub-servicers appointed by each of the French Issuer and the Irish Issuer (each an "**Originated Asset Servicer**" and together the "**Originated Asset Servicers**"), and to the Belgian Security Agent.

The Collateral Management Agreement will be governed by English law.

For further information about the Collateral Manager, see "The Parties – The Issuer and its Related Parties – The Collateral Manager and the Special Collateral Manager" at page 84. For further information about the Collateral Management Agreement, see "Issuer Collateral Management" at page 198.

The Special Collateral Manager ..... MSMS will act as special collateral manager (in such capacity, the "**Special Collateral Manager**") and will assume certain responsibilities regarding the servicing of Originated Assets in specific circumstances, primarily if an Originated Asset has been the subject of a default in accordance with its terms (the Loan relating to such Originated Asset being referred to as a "**Specially Serviced Loan**"). In the event that the Special Collateral Manager acts in

relation to an Originated Asset, the Special Collateral Manager rather than the Collateral Manager will, under the terms of the Collateral Management Agreement, be required to provide the directions in relation to the servicing of the relevant Originated Asset. The Special Collateral Manager may act in relation to any one of the Originated Assets without having to act in relation to other Originated Assets.

For further information about the Special Collateral Manager, see "The Parties – The Issuer and its Related Parties – The Collateral Manager and the Special Collateral Manager" at page 84. For further information about the activities of the Collateral Manager and the Special Collateral Manager, see "Issuer Collateral Management" at page 198.

The Principal Paying Agent, the Cash Manager, the Agent Bank and the Exchange Agent ..... HSBC Bank plc will act as principal paying agent and agent bank (in such capacities, the "**Principal Paying Agent**" and the "**Agent Bank**" respectively) pursuant to an agency agreement (the "**Agency Agreement**") between, among others, the Issuer and HSBC Bank plc in its various capacities; as cash manager (in such capacity, the "**Cash Manager**") pursuant to a cash management agreement (the "**Cash Management Agreement**") between the Issuer, the Cash Manager and the Issuer Security Trustee; and as exchange agent (in such capacity, the "**Exchange Agent**") pursuant to an exchange rate agency agreement (the "**Exchange Rate Agency Agreement**") between the Issuer, the Exchange Agent, the Note Trustee and the Issuer Security Trustee.

The Agency Agreement and the Cash Management Agreement will be governed by English law. The Exchange Rate Agency Agreement will be governed by New York law.

For further information about the Principal Paying Agent, the Agent Bank, the Cash Manager and the Exchange Agent, see "The Parties – The Issuer and its Related Parties – The Principal Paying Agent, the Cash Manager, the Agent Bank and the Exchange Agent" at page 84.

The Sub-Paying Agent ..... HSBC Global Investor Services (Ireland) Limited will act as sub-paying agent (the "**Sub-Paying Agent**") pursuant to the Agency Agreement. The Sub-Paying Agent together with the Principal Paying Agent and any other paying agents that may be appointed pursuant to the Agency Agreement are together referred as the "**Paying Agents**".

For further information about the Sub-Paying Agent, see "The Parties – The Issuer and its Related Parties – The Sub-Paying Agent" at page 85.

The Issuer Operating Bank ..... HSBC Bank plc acting through its office at Mariner House, Pepys Street, London EC3N 4DA, will act as operating bank (the "**Issuer Operating Bank**").

The Issuer will maintain its bank accounts with the Issuer Operating Bank, including the Issuer Transaction Account which will be used to receive, among other things, payments of interest and repayments of principal made on the Issuer Assets.

For further information about the Issuer Operating Bank, see "The Parties – The Issuer and its Related Parties – The Issuer Operating Bank" at page 85.

The Depository and the Registrar..... HSBC Bank USA will act as the depository and the registrar (in such capacities, the "**Depository**" and the "**Registrar**", respectively) pursuant to a depository agreement (the "**Depository Agreement**").

The Depository Agreement will be governed by New York law.

For further information about the Depository and the Registrar, see "The Parties – The Issuer and its Related Parties – The Depository and Registrar" at page 85.

The Corporate Services Provider..... Structured Finance Management (Luxembourg) S.A. will act as corporate services provider to the Issuer (the "**Corporate Services Provider**") pursuant to a corporate services agreement between the Corporate Services Provider, the Issuer and the Issuer Security Trustee (the "**Corporate Services Agreement**").

The Corporate Services Agreement will be governed by Luxembourg law.

For further information about the Corporate Services Provider, see "The Parties – The Issuer and its Related Parties – The Corporate Services Provider" at page 85.

The Domiciliation Agent..... Luxembourg International Consulting S.A. will act as domiciliation agent to the Issuer (the "**Domiciliation Agent**") pursuant to a domiciliation agreement between the Domiciliation Agent, the Issuer and the Issuer Security Trustee dated 7th July, 2003, as amended and restated on or about the Closing Date (the "**Domiciliation Agreement**").

The Domiciliation Agreement is and will be governed by the laws of Luxembourg. For further information about the Domiciliation Agent, see "The Parties – The Issuer and its Related Parties – The Domiciliation Agent" at page 85.

The Share Trustee..... SFM Corporate Services Limited (the "**Share Trustee**") will, pursuant to the charitable declaration of trust constituting the "Khronos (European Loan Conduit No. 17) S.A. Securitisation Trust" (the "**Share Declaration of Trust**"), provide certain services as trustee of that trust.

The Nominee Trustee..... Structured Finance Management Limited (the "**Nominee Trustee**") will, pursuant to a declaration of trust in favour of the Share Trustee (the "**Nominee Declaration of Trust**"), provide certain services as nominee of the Share Trustee.

The Swap Provider and the Swap Agreement ..... Morgan Stanley Capital Services Inc. (the "**Swap Provider**").

The Swap Provider will enter into a swap agreement in the form of an International Swaps and Derivatives Association Inc. ("**ISDA**") 1992 Master Agreement (Multicurrency-Cross Border) (the "**Swap Agreement**") with the Issuer. The Issuer and the Swap Provider will enter into swap confirmations evidencing the terms of the Swap Transactions to be entered into pursuant to the Swap Agreement in order to protect the Issuer against interest rate risk arising as a result of the Issuer Assets bearing interest at fixed rates of interest whilst the Issuer is required to pay floating rates of interest on the Notes.

The Swap Agreement will be governed by English law.

For further information about the Swap Provider, see "The Parties – The Issuer and its Related Parties – The Swap Provider" at page 85. For further information about the Swap Agreement and the Swap

Transactions, see "Credit Structure – The Swap Agreement" at page 216.

The Swap Guarantor and the Swap Guarantee..... Morgan Stanley (the "**Swap Guarantor**").

The Swap Guarantor will, pursuant to and subject to the terms of, a guarantee in favour of the Issuer (the "**Swap Guarantee**"), guarantee all of the Swap Provider's obligations under the Swap Agreement and the Swap Transactions.

The Swap Guarantee will be governed by New York law.

For further information about the Swap Guarantor, see "The Parties – The Issuer and its Related Parties – The Swap Guarantor" at page 86. For further information about the Swap Guarantee, see "Credit Structure – The Swap Guarantee" at page 217.

The Liquidity Facility Provider and The Liquidity Facility Agreement..... Barclays Bank PLC, acting through its branch located at 54 Lombard Street, London EC3V 9EX, will act as Liquidity Facility Provider under the Liquidity Facility Agreement.

The credit facility available pursuant to the Liquidity Facility Agreement will have an initial maximum principal amount of ε25,000,000, such amount being subject to reduction in certain specified circumstances. The Liquidity Facility Agreement will be entered into on or prior to the Closing Date between the Liquidity Facility Provider, the Issuer and the Issuer Security Trustee.

The Issuer will be entitled to make drawings under the Liquidity Facility Agreement from time to time to cover shortfalls in the amount of interest and principal received from Borrowers in respect of any of the Loans from time to time ("**Interest Drawings**" and "**Principal Drawings**", respectively), as well as shortfalls in the amounts required to pay interest that has accrued on outstanding drawings under the Liquidity Facility Agreement ("**Accrued Interest Drawings**"). In addition, the Issuer may make drawings under the Liquidity Facility Agreement to fund shortfalls in the amounts available to it to make Issuer Priority Payments, or payment of other expenses payable to third parties other than MSDW Bank or MSMS in their various capacities ("**Direct Expense Drawings**"), or to fund shortfalls in amounts available to the French Issuer and the Irish Issuer to make French Issuer Priority Payments of the type contemplated in paragraph (a) of the definition of that term or Irish Issuer Priority Payments of the type contemplated in paragraph (a) of the definition of that term, as the case may be, payments of expenses payable to third parties other than to MSDW Bank or MSMS in their various capacities ("**Indirect Expense Drawings**" and together with Direct Expense Drawings, "**Expense Drawings**"). The amount available for drawing under the Liquidity Facility Agreement at any time in respect of Interest Drawings and Principal Drawings is determined by reference to scheduled interest payments and principal repayments required to be made under the Loans at that time, excluding the final scheduled principal payment.

Amounts drawn by the Issuer under the Liquidity Facility Agreement by way of Indirect Expense Drawings will be on-lent by it to each of the French Issuer and the Irish Issuer, as the case may be, under a loan agreement (the "**Inter-Company Loan Agreement**") entered into between them. However, should the Issuer have funds available to it in the Issuer Transaction Account at the time the relevant expense is payable by the French Issuer or the Irish Issuer, as the case may be, it will make the necessary advances under the Inter-

Company Loan Agreement using such funds rather than making an Indirect Expense Drawing.

Each drawing under the Liquidity Facility Agreement will be made in euro.

For further information about the Liquidity Facility Provider, see "The Parties – The Issuer and its Related Parties – Liquidity Facility Provider" at page 86.

For further information about the Liquidity Facility Agreement and the Inter-Company Loan Agreement, see "Credit Structure – Liquidity Facility Agreement and Inter-Company Loan Agreement" at page 212.

Issuer Related Parties ..... The Note Trustee, the Issuer Security Trustee, the Collateral Manager, the Special Collateral Manager, the Originator, the Principal Paying Agent, the Cash Manager, the Agent Bank, the Exchange Agent, the Sub-Paying Agent, the Issuer Operating Bank, the Depository, the Registrar, the Swap Provider, the Swap Guarantor, the Liquidity Facility Provider, the Paying Agents, the Corporate Services Provider, the Domiciliation Agent, the Share Trustee and the Nominee Trustee are together referred to as the "**Issuer Related Parties**".

The Issuer Assets and the Originated Assets

The Issuer Assets ..... The Issuer Assets comprise the French Units, the Irish Notes and the Belgian Bonds.

The French Units are the obligations of the French Issuer only, the Irish Notes are the obligations of the Irish Issuer only and the Belgian Bonds are the obligations of the Belgian Issuer only.

Payments of interest on and repayments of principal of the French Units will be made primarily from payments of interest on and repayments of principal of the French Loans. The French Loans are, in turn, the obligations of the French Borrowers only.

Payments of interest on and repayments of principal of the Irish Notes will be made primarily from payments of interest on and repayments of principal of the Irish Loans. The Irish Loans are, in turn, the obligations of the Irish Borrowers only.

Payments of interest on and repayments of principal of the Belgian Bonds will be made primarily from payments of interest on and repayments of principal of certain inter-company loans made by the Belgian Issuer to the Belgian Property Owning Companies (the "**Belgian Intra-Group Loans**").

For further information about the French Units, see "France – The French Units" and "The Intermediate Assets – The French Units" at page 23 and page 122 respectively.

For further information about the Irish Notes, see "Ireland – The Irish Notes" and "The Intermediate Assets – The Irish Notes" at page 30 and page 126 respectively.

For further information about the Belgian Bonds, see "Belgium – the Belgian Bonds, the Belgian Properties and the Belgium Related Security" and "The Originated Assets – The Belgian Bonds" at page 36 and page 106 respectively.

Lending Criteria..... All of the French Loans, the Irish Loans and the Belgian Bonds were originated or subscribed for by MSDW Bank, (save for a single Belgian Bond, which was subscribed for by Morgan Stanley & Co. Incorporated) in accordance, in all material respects, with MSDW Bank's lending criteria prevailing at the time of their origination, save insofar as specifically disclosed in this Offering Circular.

For further information about the lending criteria applied by MSDW Bank in originating the Originated Assets, see "The Originated Assets – Lending Criteria" at page 89.

Valuations ..... In relation to each of the Originated Assets, prior to advancing any amounts in respect thereof, MSDW Bank obtained an independent valuation of the relevant Property or Properties (the "**Origination Valuations**"). The Origination Valuations were provided by internationally recognised real property valuers.

In the absence of an Appraisal Reduction, no further independent valuations of the Properties will be undertaken nor will the Origination Valuations be updated at any time.

For further information about the valuation of the Properties, see "The Loans and Related Property Summaries" at page 138. Further information about the valuation of the Properties is also contained, in electronic form, on the CD-ROM circulated contemporaneously with this Offering Circular. For further information about the CD-ROM, see "CD-ROM Disclaimer" at page 270.

France

The French Issuer and its Related Parties

The French Issuer..... ELoC France 1 FCC (the "**French Issuer**").

The French Issuer will be a *fonds commun de créances* (a debt mutual fund, or "**FCC**") established in France and governed by the provisions of Articles L. 214-5, L. 214-43, L. 214-49 and L. 213-7 of the French *Code monétaire et financier*, by decree No. 89-158 dated 9th March, 1989 as amended (the "**Decree**") and its own regulations (the "**French Issuer Regulations**"). The French Issuer will not be an independent legal entity and will therefore be represented in its activities by the French Issuer Management Company.

The activities of the French Issuer will be restricted to purchasing the French Issuer Assets from the Originator, to issuing the French Units and to undertaking activities ancillary thereto.

For further information about the French Issuer, see "The Parties – The French Issuer and its Related Parties – The French Issuer" at page 86 and "The Intermediate Assets – The French Units – The French Issuer" at page 122.

The French Issuer Management Company..... Eurotitrisation (the "**French Issuer Management Company**") will act as management company in respect of the French Issuer.

The French Issuer Management Company is licensed by and subject to the supervision and regulation of the French *Commission des Opérations de Bourse* and, in accordance with the *Code monétaire et financier*, the Decree and the French Issuer Regulations, the French Issuer Management Company is required at all times to act in the best interests of the holders of the French Units. The activities of the French Issuer Management Company involve the management of FCCs.

For further information about the French Issuer Management Company, see "The Parties - The French Issuer and its Related Parties – The French Issuer Management Company" at page 86 and "The Intermediate Assets – The French Units – The French Issuer Management Company" at page 122.

The French Issuer Custodian ..... CDC Finance – CDC IXIS (the "**French Issuer Custodian**") will act as custodian in respect of the French Issuer.

The French Issuer Custodian is an *établissement de crédit* (a credit institution) under the French *Code monétaire et financier*. The activities of the French Issuer Custodian will involve maintaining custody of all assets belonging to the French Issuer which are deposited with it and ascertaining the lawfulness (*régularité*) of the decisions of the French Issuer Management Company.

For further information about the French Issuer Custodian, see "The Parties – The French Issuer and its Related Parties – The French Issuer Custodian" at page 87 and "The Intermediate Assets – The French Units – The French Issuer Custodian" at page 123.

The French Issuer Servicer ..... MSDW Bank (in such capacity, the "**French Issuer Servicer**").

The activities of the French Issuer Servicer involve the management and recovery of amounts due in respect of the French Issuer Assets, including recovery of amounts due in respect of them through appropriate enforcement proceedings. The French Issuer Servicer will, however, sub-contract the performance of its obligations to MSMS (in such capacity, the "**French Issuer Sub-Servicer**") who will also take directions from the Collateral Manager or, under certain circumstances, the Special Collateral Manager.

For further details about the French Issuer Servicer and the French Issuer Sub-Servicer and their respective activities, see "The Parties - The French Issuer and its Related Parties – The French Issuer Servicer" at page 87 and "The Intermediate Assets – The French Units – The French Issuer Servicer and Sub-Servicer" at page 122.

The French Issuer Operating Bank and French Issuer Cash Manager ..... CDC Finance – CDC IXIS (the "**French Issuer Operating Bank**" and the "**French Issuer Cash Manager**").

The French Issuer will maintain its bank accounts with the French Issuer Operating Bank, including the French Issuer Transaction Account which will be used to receive payments of, among other things, interest and repayments of principal made on the French Issuer Assets. The French Issuer Cash Manager may, from time to time, invest amounts standing to the credit of the French Issuer Transaction Account in accordance with the terms of a cash management agreement between, amongst others, the French Issuer Management Company and the French Issuer Cash Manager (the "**French Issuer Cash Management Agreement**").

For further information about the French Issuer Operating Bank and the French Issuer Cash Manager, see "The Parties – The French Issuer and its Related Parties – The French Issuer Operating Bank and the French Issuer Cash Manager" at page 87.

The French Issuer Related Parties ..... The French Issuer Management Company, the French Issuer Custodian, the French Issuer Cash Manager, the French Issuer Servicer, the French Issuer Sub-Servicer and the French Issuer Operating Bank are together referred to as the "**French Issuer Related Parties**".

The French Issuer Assets

The French Loans and the French Properties ..... The French Loans, which were originated by the Originator between August 2002 and July 2003, are secured by, among other things, lender's privileges (*privilèges de prêteurs de deniers*) and mortgages (*hypothèques*) governed by French law over the French Properties.

As at the Cut-Off Date, the aggregate principal amount outstanding in respect of the French Loans was ε190,327,692.

There are six French Properties, all of which are office buildings.

On the basis of the Origination Valuations of the French Properties, the weighted average loan to value ratio ("**LTV**") of the French Loans as at the Cut-Off Date was 79.7 per cent., the aggregate Origination Valuations of the French Properties being ε241,480,000. The expected weighted average LTV of the French Loans at the time of their scheduled maturity is 60.6 per cent., again based on the Origination Valuations of the French Properties.

The French Borrowers are all incorporated under the laws of France and each was incorporated for the sole purpose of purchasing the commercial building of which it is owner, financing that purchase, and carrying on activities incidental to the ownership of that commercial building. The French Borrowers are all sponsored by professional property investors and their activities are restricted to acquiring, financing or refinancing, as the case may be, and operating commercial real properties of a type similar to the French Properties, with the intention that the French Borrowers should be single purpose insolvency remote vehicles.

Payments of interest on and repayments of principal of the French Loans will be made primarily from Rental Income generated by the French Properties. To the extent that such principal repayments are not made from such Rental Income, it is anticipated that they will be made from Refinancing Proceeds in respect of the French Loans or Disposal Proceeds in respect of the French Properties.

Certain French Properties are unlet or not fully let.

For further information about the French Loans, see "The Originated Assets – The French Issuer Assets" at page 93. For further information about the French Properties, see "The Loans and Related Property Summaries – The French Issuer Assets" at page 138. Further information about the valuation of the French Properties is also contained in electronic form, on the attached CD-ROM.

For further information about the French Properties which are unlet or not fully let, see "Risk Factors – Factors relating to the Originated Assets – The Properties" at page 58. For further information about the CD-ROM, see "CD-ROM Disclaimer" at page 270.

Payments on the French Loans..... Rental Income generated by each of the French Properties is paid by the tenants into an account in the name of the applicable French Borrower (each a "**French Borrower Account**") directly, except in the case of the Rental Income generated by the French Properties related to the SNC Parc des Corvettes Loan and the SNC Josas Loan, which is paid into an account in the name of a managing agent (each a "**French Property Manager Account**"). The French Borrower Accounts are secured in favour of the Originator, and the security interests in these accounts will be transferred to the French Issuer on the Closing Date.

Rental payments credited to the French Borrower Accounts and French Property Manager Accounts are retained in those accounts, with the exception (in the case of two of the French Loans) of amounts required to pay the VAT liabilities of the relevant French Borrowers (as to which, see further below) until the balance on each such French Borrower Account or French Property Manager Account, as applicable, is sufficient to pay all charges and expenses forecast in the annual budget prepared by the applicable French Borrower to be incurred on or with respect to the applicable French Property during the then current interest period under the applicable French Loan Agreement. Once the balance on the French Borrower Account or the French Property Manager Account, as applicable, is sufficient to cover the budgeted charges and expenses for the applicable interest period, all further amounts received in respect of Rental Income into such account during the then current interest period are required to be transferred to accounts in the name of the Originator or, following the Closing Date, the French Issuer (each, a "**French Rent Account**"). Such amounts transferred to the relevant French Rent Account will constitute cash-collateral (*gage-espèce*) in respect of the relevant French Loan. Each French Rent Account will be transferred to the French Issuer Operating Bank with effect from the Closing Date and will thereafter be in the name of the French Issuer.

In the case of two of the French Loans, any portion of a rental payment allocable to payment of VAT is required to be transferred, within one business day of receipt thereof, into a separate VAT account established in the name of the applicable French Borrower (each a "**French Borrower VAT Account**"). Each French Borrower VAT Account is pledged to the Originator and the security interest in these accounts will be transferred to the French Issuer on the Closing Date. In the case of the three other French Loans, amounts received from the tenants of the applicable French Properties and allocable to VAT are retained in the related French Borrower Account until required to discharge the applicable French Borrower's liability for any applicable VAT.

On each date following the Closing Date on which the French Borrowers are obliged, under the French Loan Agreements, to make a payment of interest, repayment of principal or payment of any other amount due thereunder (each, a "**French Loan Payment Date**"), the French Issuer will apply amounts standing to the credit of each French Rent Account to make payments of interest on, and repayments of principal of, the relevant French Loan and payment of any other amounts due thereunder, and such amounts will be transferred to an account established in the name of the French Issuer at the French Issuer Operating Bank (the "**French Issuer Transaction Account**") for the purpose of funding payments due on, among other things, the French Units.

For further information about payments on the French Loans, see "The Originated Assets – The French Issuer Assets – Bank Accounts" at page 95.

The French Related Security..... The principal elements of the French Related Security are, in general terms, as follows:

(a) a first ranking lender's privilege over the French Properties (*privilège de prêteur de deniers*);

(b) a mortgage (*hypothèque*) over the French Properties;

(c) a first ranking pledge over the shares of the French Borrowers and the shares of the parent entities of the French Borrowers;

(d) a Dailly law assignment or a *délégation imparfaite de loyers* of the Rental Income payable in respect of the French Properties;

(e) a Dailly law assignment or a *délégation imparfaite* on all amounts which are or may become due under the insurance policies in respect of the French Properties;

(f) a cash deposit (*gage-espèces*) over the French Rent Accounts; and

(g) a first ranking pledge (*nantissement de compte)* over the French Borrower Accounts and the French Borrower VAT Accounts,

though each French Loan has its own particular security package. All elements of the French Related Security are governed by French law. Further, under the terms of the French Loan Agreements, insurance cover in respect of the French Properties is required to be maintained by the French Borrowers.

For further information about the French Related Security, see "The Originated Assets – The French Issuer Assets – The French Related Security" at page 98.

The French Units

Status and Form..... The French Units will be issued pursuant to the French Issuer Regulations on the Closing Date in an aggregate principal amount of ε189,282,900 and in denominations of ε630,943. The French Units will be subscribed for by the Issuer.

Liability and Limited Recourse..... The French Units will not be the obligation or responsibility of any person other than the French Issuer. In particular but without limitation, the French Units will not be the obligations or responsibility of, or be guaranteed by, MSDW Bank, any of the French Issuer Related Parties or any of their respective affiliates and none of such persons accepts any liability whatsoever in respect of any failure by the French Issuer to make payments of any amounts due in respect of the French Units.

Claims against the French Issuer by holders of the French Units will be limited to the value of the French Issuer Assets. The proceeds of realisation of the French Issuer Assets may, after paying or providing for all prior-ranking claims on the French Issuer, be less than the sums expected by the Issuer as the holder of the French Units in respect thereof. All claims in respect of such shortfall after realisation of the French Issuer Assets will be extinguished.

Interest..... Being "pass-through" debt instruments, the French Units will not bear interest at a specifically prescribed rate of interest. The French Units will, however, bear interest on the French Unit Principal Amount Outstanding from and including the Closing Date. The amount of such interest in respect of the French Units will be based upon the amount of interest received by the French Issuer in respect of the French Loans and the amount of French Prepayment Fees. The amount of interest payable in respect of the French Units will, however, be reduced by any expenses paid by the French Issuer. Such interest will be payable if and to the extent that funds are available to the French Issuer for these purposes.

Interest in respect of the French Units will be payable quarterly in arrear on the 12th day of February, May, August and November in each year or, if such day is not a day on which banks are generally open for business (other than a Saturday or Sunday) in London, England, Luxembourg and Paris, France (a "**French Business Day**"),

the next following French Business Day unless such French Business Day falls in the next succeeding calendar month, in which event interest will be payable on the immediately preceding French Business Day (each such day being a "**French Unit Interest Payment Date**"). The first French Unit Interest Payment Date will be 12th February, 2004.

In the event of any withholding or deduction for or on account of tax being imposed, as a result of a change of law from that which is in effect at the Closing Date, on payments of interest on and repayments of principal of the French Units, the French Issuer will, be required to redeem the French Units in full, as described further below, but will not be obliged to pay additional amounts in respect of any such withholding or deduction. As at the date of this Offering Circular and assuming that the French Units are held by the Issuer as described in this Offering Circular, the laws of France, which govern the issuance of the French Units, do not impose any withholding or deduction for or on account of tax on payments of interest on and repayments of principal of the French Units.

Principal Final Redemption ..... Unless previously redeemed, the French Units will be redeemed at the French Unit Principal Amount Outstanding together with accrued interest on the French Unit Interest Payment Date falling in February 2013 (the "**French Unit Maturity Date**").

Mandatory Redemption in Whole or Part upon Repayment, Prepayment, Repurchase or Liquidation ..... The French Units will be subject to mandatory redemption in whole or in part (as applicable) upon repayment or prepayment in whole or in part of the French Loans by the French Borrowers, repurchase of the French Loans pursuant to the French Asset Transfer Agreement or disposal of the French Loans following the liquidation of the French Issuer.

For further information on the mandatory redemption of the French Units, see "Available Funds and their Priority of Application - The French Units" at page 25.

Mandatory Redemption in Whole due to Change in Law ..... The French Units will be subject to redemption in whole, but not in part, if (a) by virtue of a change in any law from that which is in effect at the Closing Date, the French Issuer will be obliged to make any withholding or deduction for tax from payments in respect of the French Units and such requirement cannot be avoided by the French Issuer taking reasonable measures available to it, or (b) by virtue of any change in law from that in effect on the Closing Date, any amount receivable by the French Issuer in relation to any of the French Loans is reduced or ceases to be receivable by the French Issuer, whether or not actually received. Such redemption will be subject to the French Issuer certifying to the Issuer that it will have sufficient funds available to it to discharge all liabilities in respect of or connected with the French Units.

Rating and Listing ..... The French Units will not be rated by any of the Rating Agencies nor by any other rating agency, nor will they be listed on any stock exchange.

Sales Restrictions ..... The French Units will be issued to the Issuer pursuant to a subscription agreement (the "**French Unit Subscription Agreement**"). Prior to the enforcement of the Issuer Security, or unless acquired by the Collateral Manager pursuant to the Collateral Management Agreement in the circumstances described therein, it is expected that the French Units will at all times be held by the Issuer only.

For further information about the French Units, see "The Intermediate Assets – The French Units" at page 122. For further information about the circumstances under which the Collateral Manager may acquire the French Units, see "Issuer Collateral Management" at page 198.

Available Funds and their Priority of Application – The French Units

Source of Funds..... The payment of interest on and the repayment of principal of the French Loans will provide the primary source of funds for the French Issuer to make payments of interest on and repayments of principal of the French Units.

Funds paid into the French Issuer Transaction Account..... On each French Loan Payment Date, the French Issuer Management Company will transfer from each French Rent Account to the French Issuer Transaction Account an amount in respect of interest, principal, fees and other amounts, if any, then payable under the applicable French Loan Agreement.

Accordingly, all amounts standing to the credit of the French Issuer Transaction Account from time to time will be referable to the following sources:

(a) "**French Borrower Interest Receipts**", which comprise payments of interest, fees (other than French Prepayment Fees), breakage costs, if any, incurred by the French Borrowers, expenses, commissions and other sums, in each case made by the French Borrowers in respect of the French Loans or the French Related Security (other than any payments in respect of principal), including recoveries in respect of such amounts on enforcement of the French Loans or the French Related Security and upon a repurchase of any French Loan pursuant to the terms of the French Asset Transfer Agreement or disposal of the French Loans pursuant to a liquidation of the French Issuer;

(b) "**French Amortisation Funds**", which comprise all payments of principal made by the French Borrowers in respect of the French Loans and the French Related Security other than payments which comprise French Prepayment Redemption Funds, French Final Redemption Funds and French Principal Recovery Funds;

(c) "**French Prepayment Redemption Funds**", which comprise all payments of principal made by the French Borrowers in connection with any prepayment in part or in full in respect of a French Loan (including insurance proceeds not applied to reinstate any of the French Properties but excluding, for the avoidance of doubt, any prepayments constituting French Principal Recovery Funds) and all principal amounts paid to the French Issuer on repurchase from the French Issuer of any French Loan pursuant to the terms of the French Asset Transfer Agreement or disposal of the French Loans pursuant to a liquidation of the French Issuer;

(d) "**French Final Redemption Funds**", which comprise the repayment of principal of each French Loan made on its scheduled final maturity date;

(e) "**French Principal Recovery Funds**", which comprise all amounts recovered in respect of principal of the French Loans as a result of the enforcement of the French Loans or the French Related Security; and

(f) "**French Prepayment Fees**", which comprise payments of all fees and costs (except for breakage costs, if any) paid by the French Borrowers in connection with any prepayment in part or in full of the French Loans, both prior to and following the enforcement of any of the French Loans or the French Related Security.

French Prepayment Fees ..... For the avoidance of doubt, French Prepayment Fees will not be included in the calculation of French Borrower Interest Receipts at any time. French Prepayment Fees will, following receipt in the French Issuer Transaction Account, be paid, on the instructions of the French Issuer Management Company, directly to the Issuer (as the holder of the French Units) as part of the interest payable on the French Units on the next French Unit Interest Payment Date.

French Borrower Principal Receipts ..... French Amortisation Funds, French Prepayment Redemption Funds, French Final Redemption Funds and French Principal Recovery Funds are collectively referred to as the "**French Borrower Principal Receipts**".

Payments out of the French Issuer Transaction Account; French Issuer Priority Payments ..... The French Issuer Management Company shall, in the case of amounts referred to in paragraph (a) below, and otherwise may, make the following payments out of the French Issuer Transaction Account in priority to all other payments required to be made by the French Issuer and on any day such payments are due:

(a) out of French Borrower Interest Receipts and, where French Borrower Interest Receipts are insufficient, out of French Borrower Principal Receipts available at that time or, if such amounts are in aggregate insufficient, from the proceeds of any drawing under the Inter-Company Loan Agreement made available for this purpose, amounts due to third parties (other than the French Issuer Related Parties), including the French Issuer's liability, if any, to corporation tax and/or value added tax, on a date other than a French Unit Interest Payment Date under obligations incurred in the course of the French Issuer's business provided that if such amount becomes payable in the period between a French Calculation Date and the next following French Unit Interest Payment Date, it shall only be funded by a drawing under the Inter-Company Loan Agreement; and

(b) after a French Loan Event of Default has occurred, any urgent capital expenditure required to prevent a material decline in the value of any French Property, out of French Borrower Interest Receipts and, where French Borrower Interest Receipts are insufficient, out of French Borrower Principal Receipts available at that time provided that no such payment shall be made between a French Calculation Date and the next following French Unit Interest Payment Date.

Such payments are together referred to as the "**French Issuer Priority Payments**".

French Available Interest Receipts ..... The period from and including the third French Business Day prior to a French Unit Interest Payment Date (a "**French Calculation Date**"), or in the case of the first such period, the Closing Date, to but excluding the next following French Calculation Date is referred to as a "**French Unit Collection Period**".

On each French Unit Interest Payment Date, the aggregate of (a) all French Borrower Interest Receipts transferred by or at the direction of the French Issuer Management Company into the French Issuer

Transaction Account during the French Unit Collection Period ending prior to such French Unit Interest Payment Date (net, in each case, of any French Borrower Interest Receipts applied during such French Unit Collection Period in payment of French Issuer Priority Payments); (b) the proceeds of any drawing under the Inter-Company Loan Agreement made available to the French Issuer on such French Unit Interest Payment Date; and (c) any interest accrued upon and paid to the French Issuer on the French Issuer Transaction Account and any other accounts maintained by the French Issuer and not paid out on any previous French Unit Interest Payment Date and the interest on any eligible investments received by the French Issuer during the French Unit Collection Period then ended (such amounts being, collectively, the "**French Available Interest Receipts**", in respect of such French Unit Interest Payment Date, and as determined by the French Issuer Management Company on the basis of information provided to it by the French Issuer Servicer) will be applied in the following order of priority (the "**French Available Interest Receipts Priority of Payments**") and in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full:

(a) **first**, in or towards payment or discharge of any amounts due and payable by the French Issuer to any French Issuer Related Parties under and in accordance with the arrangements which are in place between the French Issuer and the French Issuer Related Parties on a *pro rata* and *pari passu* basis;

(b) **second**, (i) in or towards repayment or discharge of any amounts due and payable by the French Issuer in respect of any amounts made available to the French Issuer under the Inter-Company Loan Agreement (save that the proceeds of any drawing under the Inter-Company Loan Agreement made available to the French Issuer on such French Unit Interest Payment Date shall not be used for the purpose of repaying any previous drawing under the Inter-Company Loan Agreement made available to the French Issuer); and then (ii) in or towards payment or discharge of any amounts due to third parties (other than payments made to any third parties which constitute French Issuer Priority Payments) under obligations which are incurred in the course of the French Issuer's business, including provision for any such obligations expected to come due in the following French Unit Collection Period, on a *pro rata* and *pari passu* basis; and

(c) **third**, in or towards payment or discharge of interest in respect of the French Units.

French Available Principal Receipts..... The French Issuer Management Company is required to calculate on each French Calculation Date, the amount of the French Borrower Principal Receipts collected during such French Unit Collection Period and not applied during such French Unit Collection Period or required to be applied on the next French Unit Interest Payment Date, in payment of the French Issuer Priority Payments (such amounts being the "**French Available Principal Receipts**").

On each French Unit Interest Payment Date, French Available Principal Receipts will be applied from the French Issuer Transaction Account in or toward redemption of the principal of the French Units. Accordingly, the principal amount outstanding in respect of the French Units should (unless French Borrower Principal Receipts have been used for the purpose of making French Issuer Priority Payments) at all times be equal to the aggregate principal amount outstanding of the French Loans.

Thus, the Issuer, as the holder of the French Units, will periodically receive payment of the French Available Interest Receipts in accordance with the French Available Interest Receipts Priority of Payments, and French Available Principal Receipts.

Ireland

The Irish Issuer and its Related Parties

The Irish Issuer ..... ELoC Ireland 1 Limited (the "**Irish Issuer**").

The Irish Issuer is a private limited liability company incorporated in Ireland.

The activities of the Irish Issuer include purchasing the Irish Issuer Assets from the Originator, issuing the Irish Notes and undertaking activities ancillary thereto. The Irish Issuer may also, in the future, after the Irish Notes have been redeemed in full, purchase other loans secured over commercial real properties located in Ireland and may issue notes to fund such purchases.

For further information about the Irish Issuer, see "The Parties – The Irish Issuer and its Related Parties – The Irish Issuer" at page 87 and "The Intermediate Assets – The Irish Notes – The Irish Issuer" at page 126.

The Irish Issuer Security Trustee ..... With respect to the security granted in respect of the Irish Notes, MSMS (the "**Irish Issuer Security Trustee**").

The Irish Issuer Security Trustee will act as trustee of the security granted in respect of the Irish Notes for the benefit, among others, of the holders from time to time of the Irish Notes, pursuant to a deed of charge and assignment (the "**Irish Deed of Charge and Assignment**") between the Irish Issuer Security Trustee and the Irish Issuer.

For further information about the Irish Issuer Security Trustee, see "The Parties – The Irish Issuer and its Related Parties – The Irish Issuer Security Trustee" at page 87. For further information about the Irish Deed of Charge and Assignment, see "The Intermediate Assets - The Irish Notes – Security and Events of Default" at page 122.

The Irish Issuer Servicer ..... MSMS (in such capacity, the "**Irish Issuer Servicer**").

The activities of the Irish Issuer Servicer involve the management and recovery of amounts due in respect of the Irish Issuer Assets, including recovery of amounts due in respect of them through appropriate enforcement proceedings. The Irish Issuer Servicer will take directions from and provide reports to the Collateral Manager and, under certain circumstances, the Special Collateral Manager.

The further information about the Irish Issuer Servicer and its activities, see "The Parties – The Irish Issuer and its Related Parties – The Irish Issuer Servicer" at page 87 and "Issuer Collateral Management" at page 198.

The Irish Issuer Shareholder ..... SFM Corporate Services Limited (the "**Irish Issuer Shareholder**").

The Irish Issuer Shareholder will hold 100 per cent. of the issued share capital of the Irish Issuer as trustee for the benefit of one or more stated charities.

For further information about the Irish Issuer Shareholder, see "The Parties – The Irish Issuer and its Related Parties – The Irish Issuer Shareholder" at page 87.

The Irish Issuer Corporate Services Provider ..... Structured Finance Management (Ireland) Limited (the "**Irish Issuer Corporate Services Provider**").

The activities of the Irish Issuer Corporate Services Provider involve it performing certain corporate and administrative services for the Irish Issuer.

For further information about the Irish Issuer Corporate Services Provider, see "The Parties – The Irish Issuer Related Parties – The Irish Issuer Corporate Services Provider" at page 88.

The Irish Issuer Operating Bank ..... HSBC Bank plc acting through its Dublin branch (the "**Irish Issuer Operating Bank**").

The Irish Issuer will maintain its bank accounts with the Irish Issuer Operating Bank, including the Irish Issuer Transaction Account which will be used to receive, among other things, payments of interest and repayments of principal made on the Irish Issuer Assets.

For further information about the Irish Issuer Operating Bank, see "The Parties – The Irish Issuer Related Parties – The Irish Issuer Operating Bank at page 88.

The Irish Issuer Related Parties..... The Irish Issuer Security Trustee, the Irish Issuer Shareholder, the Irish Issuer Corporate Services Provider, the Irish Issuer Servicer and the Irish Issuer Operating Bank are together referred to as the "**Irish Issuer Related Parties**".

The Irish Issuer Assets

The Irish Loans and the Irish Property ..... The Irish Loans were originated by the Originator in May 2001 and as at the Cut-Off Date had an aggregate principal amount outstanding of ε55,081,237. The Irish Loans are secured by, among other things, a mortgage governed by Irish law over the Irish Property, which is an office building in Dublin. The two Irish Loans were made simultaneously, and are both secured over the Irish Property.

On the basis of the Origination Valuation of the Irish Property, the LTV of the Irish Loans as at the Cut-Off Date was 75.4 per cent., the Origination Valuation of the Irish Property being ε73,009,939. The expected LTV of the Irish Loans at the time of their scheduled maturity is 68.8 per cent., again based on the Origination Valuation of the Irish Property.

The Irish Borrowers under the Irish Loans are three individuals, each of whom is jointly and severally liable in respect of the Irish Loans.

Payments of interest on and repayments of principal of the Irish Loans will be made primarily from Rental Income generated by the Irish Property. To the extent that such principal repayments are not made from such Rental Income, it is anticipated that they will be made from Refinancing Proceeds in respect of the Irish Loans or Disposal Proceeds in respect of the Irish Property.

For further information about the Irish Loans, see "The Originated Assets – The Irish Issuer Assets" at page 102. For further information about the Irish Property, see "The Loans and Related Property Summaries – The Irish Issuer Assets" at page 153. Further

information about the valuation of the Irish Properties is also contained in electronic form, on the CD-ROM circulated contemporaneously with this Offering Circular. For further information about the CD-ROM, see "CD-ROM Disclaimer" at page 270.

Payments on the Irish Loans ..... Rental Income generated by the Irish Property is paid by the tenants of the Irish Property into an account (the "**Irish Rent Account**") in the name of the Irish Borrowers but under the control of the Irish Loan Security Trustee and subject to a first ranking security interest in favour of the Irish Loan Security Trustee. On each date on which the Irish Borrowers are obliged, under the Irish Loan Agreements, to make a payment of interest, repayment of principal or payment of any other amount due thereunder (each, an "**Irish Loan Payment Date**"), the Irish Issuer Servicer will direct the Irish Loan Security Trustee to withdraw from the Irish Rent Account amounts necessary to make payments of interest on, and repayments of principal of, the Irish Loans, and payment of any other amounts due thereunder. Following the Closing Date, such payments of interest and repayments of principal will be made to an account established in the name of the Irish Issuer with the Irish Issuer Operating Bank (the "**Irish Issuer Transaction Account**"), for the purpose of funding payments due on, among other things, the Irish Notes. 2.H.1(c)(i)

For further information about payments on the Irish Loans, see "The Originated Assets – The Irish Issuer Assets – Bank Accounts" at page 104.

The Irish Related Security ..... With respect to the Irish Loans, the principal elements of the Irish Related Security are as follows:

(a) a first ranking mortgage over the Irish Property;

(b) an assignment of the Rental Income payable in respect of the Irish Property; and

(c) a first ranking charge over the Irish Rent Account.

The Irish Related Security is governed by Irish law.

Further, under the terms of the Irish Loan Agreements, insurance cover in respect of the Irish Property is required to be maintained by the Irish Borrowers.

The Irish Related Security has been granted by the Irish Borrowers to the Irish Loan Security Trustee, which, prior to the Closing Date, holds the Irish Related Security on trust for, among others, the Originator and following the Closing Date will hold the Irish Related Security on trust for, among others, the Irish Issuer.

For further information about the Irish Related Security, see "The Originated Assets – The Irish Issuer Assets" at page 102.

The Irish Notes

Status and Form ..... The Irish Notes will be issued on the Closing Date in an aggregate principal amount of ε54,903,400 and in denominations of ε549,034. The Irish Notes will be subscribed for by the Issuer.

Liability and Limited Recourse ..... The Irish Notes will not be the obligation or responsibility of any person other than the Irish Issuer. In particular, the Irish Notes will not be the obligation or responsibility of MSDW Bank, the Irish Issuer Related Parties or any of their respective affiliates and none of such persons accepts any liability whatsoever in respect of any

failure of the Irish Issuer to make payments of any amounts due in respect of the Irish Notes.

Claims against the Irish Issuer by holders of the Irish Notes will be limited to the value of the Irish Issuer Assets. The proceeds of realisation of the Irish Issuer Assets may, after paying or providing for all prior-ranking claims on the Irish Issuer and relating to the Irish Issuer Assets and the Irish Notes, be less than the sums expected by the Issuer as the holder of the Irish Notes in respect thereof. All claims in respect of such shortfall, after realisation of the Irish Issuer Assets, will be extinguished. In particular, the holders of Irish Notes will not have recourse to any other assets of the Irish Issuer, including, without limitation, assets securing subsequent discrete note issuances made by the Irish Issuer. 2.F.1(b)

Interest..... Being "pass-through" debt instruments, the Irish Notes will not bear interest at a specifically prescribed rate of interest. The Irish Notes will, however, bear interest on the Irish Note Principal Amount Outstanding from and including the Closing Date. The amount of such interest in respect of the Irish Notes will be based upon the amount of interest received by the Irish Issuer in respect of the Irish Loans less a nominal amount to be retained by the Irish Issuer. The amount of such interest will also include the amount of Irish Prepayment Fees. The amount of interest payable in respect of the Irish Notes will, however, be reduced by any expenses paid by the Irish Issuer. Interest on the Irish Notes will be payable if and to the extent that funds are available to the Irish Issuer for these purposes.

Interest in respect of the Irish Notes will be payable quarterly in arrear on the 21st day of January, April, July and October in each year or, if such day is not a day on which banks are generally open for business (other than a Saturday or Sunday) in London, England, Luxembourg and Dublin, Ireland (an "**Irish Business Day**"), the next following Irish Business Day unless such Irish Business Day falls in the next succeeding calendar month, in which event, interest will be payable on the immediately preceding Irish Business Day (each such day being an "**Irish Note Interest Payment Date**"). The first Irish Note Interest Payment Date will be 21st January, 2004.

In the event of any withholding or deduction for or on account of tax being imposed, as a result of a change of law from that which is in effect at the Closing Date, on payments of interest on and repayments of principal of the Irish Notes, the Irish Issuer will be required to redeem the Irish Notes in full, as described further below, but will not be obliged to pay additional amounts in respect of such withholding or deduction. As at the date of this Offering Circular and assuming (i) that the Irish Notes are held by the Issuer as described in this Offering Circular and (ii) (a) the Issuer is beneficially entitled to all payments of interest and principal under the Irish Notes, (b) the Issuer is a company which, by virtue of the laws of Luxembourg, is resident for the purpose of income and incorporation tax in Luxembourg, and (c) the Issuer does not carry on a trade or business in Ireland through any branch or agency, then the laws of Ireland, which govern the issuance of Irish Notes, do not impose any withholding or deduction for or on account of tax on payments of interest on and repayments of principal of the Irish Notes.

Principal Final Redemption ..... Unless previously redeemed, the Irish Notes will be redeemed at the Irish Note Principal Amount Outstanding together with accrued interest on the Irish Note Interest Payment Date falling in October 2011 (the "**Irish Note Maturity Date**").

For further information on the mandatory redemption of the Irish Notes, see "Available Funds and their Priority of Application - The Irish Notes" at page 32.

Mandatory Redemption in Whole or Part upon Repayment, Prepayment, Repurchase or Disposal ..... The Irish Notes will be subject to mandatory redemption in whole or in part in the event of any repayment or prepayment in whole or in part of the Irish Loans by the Irish Borrowers or repurchase of the Irish Loans pursuant to the Irish Asset Transfer Agreement or disposal of the Irish Loans following the occurrence of an event of default in respect of the Irish Notes.

Mandatory Redemption in Whole due to Change in Law ..... The Irish Notes will be subject to redemption in whole, but not in part, if (a) by virtue of a change in law from that which is in effect at the Closing Date, the Irish Issuer will be obliged to make any withholding or deduction for tax from payments in respect of the Irish Notes and such requirement cannot be avoided by the Irish Issuer taking reasonable measures available to it, or (b) by virtue of any change in law from that in effect on the Closing Date, any amount receivable by the Irish Issuer in relation to the Irish Loan is reduced or ceases to be receivable by the Issuer, whether or not actually received. Such redemption will be subject to the Irish Issuer certifying to the Issuer that it will have sufficient funds available to it to discharge all liabilities in respect of or connected with the Irish Notes.

Rating and Listing ..... The Irish Notes will not be rated by any of the Rating Agencies nor by any other rating agency, nor will they be listed on any stock exchange.

Sales Restrictions The Irish Notes will be issued to the Issuer pursuant to a subscription deed (the "**Irish Note Subscription Deed**"). Prior to the enforcement of the Issuer Security, or unless acquired by the Collateral Manager pursuant to the Collateral Management Agreement in the circumstances described therein, it is expected that the Irish Notes will at all times be held by the Issuer only.

For further information about the Irish Notes, see "The Intermediate Assets – The Irish Notes" at page 126. For further information about the circumstances under which the Collateral Manager may acquire the Irish Notes, see "Issuer Collateral Management" at page 198.

Available Funds and their Priority of Application – The Irish Notes

Source of Funds..... The payment of interest on and the repayment of principal of the Irish Loans will provide the source of funds for the Irish Issuer to make payments of interest on and repayments of principal of the Irish Notes.

Funds paid into the Irish Issuer Transaction Account..... On each Irish Loan Payment Date, the Irish Issuer Servicer will direct the Irish Loan Security Trustee to transfer from the Irish Rent Account to the Irish Issuer Transaction Account an amount in respect of interest, principal, fees and other amounts, if any, then payable under the Irish Loan Agreements.

Accordingly, all amounts standing to the credit of the Irish Issuer Transaction Account from time to time will be referable to the following sources:

(a) "**Irish Borrower Interest Receipts**", which comprise all payments of interest, fees (other than Irish Prepayment Fees),

breakage costs, if any, incurred by the Irish Borrowers, expenses, commissions and other sums, in each case made by the Irish Borrowers in respect of the Irish Loans or the Irish Related Security (other than any payments in respect of principal), including recoveries in respect of such amounts on enforcement of the Irish Loans or the Irish Related Security and upon a repurchase of any Irish Loan pursuant to the terms of the Irish Asset Transfer Agreement or disposal of the Irish Loans pursuant to enforcement of the security granted by the Irish Issuer in respect of the Irish Notes;

(b) "**Irish Amortisation Funds**", which comprise all payments of principal made by the Irish Borrowers in respect of the Irish Loans and the Irish Related Security other than payments which comprise Irish Prepayment Redemption Funds, Irish Final Redemption Funds and Irish Principal Recovery Funds;

(c) "**Irish Prepayment Redemption Funds**", which comprise all payments of principal made by the Irish Borrowers in connection with any prepayment in part or in full in respect of the Irish Loans (including insurance proceeds not applied to reinstate the Irish Property but excluding, for the avoidance of doubt, any prepayments constituting Irish Principal Recovery Funds) and all principal amounts paid to the Irish Issuer on repurchase from the Irish Issuer of the Irish Loans pursuant to the Irish Asset Transfer Agreement or disposal of the Irish Loans pursuant to enforcement of the security granted by the Irish Issuer in respect of the Irish Notes;

(d) "**Irish Final Redemption Funds**", which comprise the repayment of principal of the Irish Loans made on their scheduled final maturity date;

(e) "**Irish Principal Recovery Funds**", which comprise all amounts recovered in respect of principal of the Irish Loans as a result of the enforcement of the Irish Loans or the Irish Related Security; and

(f) "**Irish Prepayment Fees**", which comprise payments of all fees and costs (except for breakage costs, if any) received as a result of any prepayment in part or in full of the Irish Loans, both prior to and following the enforcement of either of the Irish Loans or the Irish Related Security.

Irish Borrower Principal Receipts..... Irish Amortisation Funds, Irish Prepayment Redemption Funds, Irish Final Redemption Funds and Irish Principal Recovery Funds are collectively referred to as the "**Irish Borrower Principal Receipts**".

Irish Prepayment Fees..... For the avoidance of doubt, Irish Prepayment Fees will not be included in the calculation of Irish Borrower Interest Receipts at any time. Irish Prepayment Fees will, following receipt in the Irish Issuer Transaction Account, be paid directly to the Issuer (as the holder of the Irish Notes) as part of the interest payable on the Irish Notes on the next Irish Note Interest Payment Date.

Payments out of the Irish Issuer Transaction Account; Irish Issuer Priority Payments..... The Irish Issuer Servicer shall in the case of amounts referred to in paragraph (a) below, and otherwise may, make the following payments out of the Irish Issuer Transaction Account in priority to all other payments required to be made by the Irish Issuer and on any day such payments are due:

(a) out of Irish Borrower Interest Receipts and, where Irish Borrower Interest Receipts are insufficient, out of the Irish Borrower Principal Receipts available at that time or, if such amounts are in aggregate insufficient, from the proceeds of any drawing under the Inter-Company Loan Agreement made available for this purpose, amounts due to third parties (other than the Irish Issuer Related Parties), including the Irish Issuer's liability, if any, to corporation tax and/or value added tax, on a date other than an Irish Note Interest Payment Date under obligations incurred in the course of the Irish Issuer's business provided that if such amount becomes payable in the period between an Irish Calculation Date and the next following Irish Note Interest Payment Date, such payments shall only be funded by drawing under the Inter-Company Loan Agreement; and

(b) after an Irish Loan Event of Default has occurred, any urgent capital expenditure required to prevent a material decline in the value of the Irish Property out of Irish Borrower Interest Receipts and, where Irish Borrower Interest Receipts are insufficient, Irish Borrower Principal Receipts available at that time provided that no such payment shall be made between an Irish Calculation Date and the next following Irish Note Interest Payment Date.

Such payments are together referred to as the "**Irish Issuer Priority Payments**".

Irish Available Interest Receipts..... The period from and including the third Irish Business Day prior to an Irish Note Interest Payment Date (the "**Irish Calculation Date**") or, in the case of the first such period, the Closing Date, to but excluding the next following Irish Calculation Date, is referred to as an "**Irish Note Collection Period**".

On each Irish Note Interest Payment Date the aggregate of (a) all Irish Borrower Interest Receipts transferred by or at the direction of the Irish Issuer Servicer into the Irish Issuer Transaction Account during the Irish Note Collection Period ending prior to such Irish Note Interest Payment Date (net of any Irish Borrower Interest Receipts applied during such Irish Note Collection Period in payment of Irish Issuer Priority Payments); (b) the proceeds of any drawing under the Inter-Company Loan Agreement made available to the Irish Issuer on such Irish Note Interest Payment Date; and (c) any interest accrued upon and paid to the Irish Issuer on the Irish Issuer Transaction Account and not paid out on any previous Irish Note Interest Payment Date and any other accounts maintained by the Irish Issuer and the interest on any eligible investments received by the Irish Issuer during the Irish Note Collection Period then ended (such amounts being, collectively, the "**Irish Available Interest Receipts**", in respect of such Irish Note Interest Payment Date, and as determined by the Irish Issuer Servicer) will be applied in the following order of priority (the "**Irish Available Interest Receipts Priority of Payments**") and in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full:

(a) **first**, in or towards payment or discharge of any amounts due and payable by the Irish Issuer to any Irish Issuer Related Parties under and in accordance with the arrangements which are in place between the Irish Issuer and the Irish Issuer Related Parties on a *pro rata* and *pari passu* basis;

(b) **second**, (i) in or towards repayment or discharge of any amounts due and payable by the Irish Issuer in respect of any amounts made available to the Irish Issuer under the Inter-Company Loan

Agreement (save that the proceeds of any drawing under the Inter-Company Loan Agreement made available to the Irish Issuer on such Irish Note Interest Payment Date shall not be used for the purpose of repaying any previous drawing under the Inter-Company Loan Agreement made available to the Irish Issuer); and then (ii) in or towards payment or discharge of any amounts due to third parties (other than payments made to any third parties which constitute Irish Issuer Priority Payments) under obligations incurred in the course of the Issuer's business, including provision for any such obligations expected to come due in the following Interest Period, on a *pro rata* and *pari passu* basis; and

(c) **third**, in or towards payment or discharge of interest in respect of the Irish Notes.

Irish Available Principal Receipts ..... The Irish Issuer Servicer is required to calculate on each Irish Calculation Date, the amount of Irish Borrower Principal Receipts received during each Irish Note Collection Period and not applied during such Irish Note Collection Period or required to be applied on the next Irish Note Interest Payment Date in payment of the Irish Issuer Priority Payments (such amounts being the "**Irish Available Principal Receipts**").

On each Irish Note Interest Payment Date, Irish Available Principal Receipts will be applied from the Irish Issuer Transaction Account in or toward repayment of the principal amount outstanding in respect of the Irish Notes. Accordingly, the aggregate principal amount outstanding in respect of the Irish Notes should (unless Irish Borrower Principal Receipts have been used for the purposes of making Irish Issuer Priority Payments) at all times be equal to the principal amount outstanding of the Irish Loans.

Thus the Issuer, as the holder of the Irish Notes, will periodically receive payments of the Irish Available Interest Receipts in accordance with Irish Available Interest Receipts Priority of Payments, and Irish Available Principal Receipts.

Belgium

The Belgian Issuer and its Related Parties

The Belgian Issuer ..... Fortress Finance (Belgium) S.P.R.L. (the "**Belgian Issuer**").

The activities of the Belgian Issuer are restricted to issuing the Belgian Bonds, granting security for its obligations under and in respect of the Belgian Bonds and entering into transactions incidental to these other activities.

Unlike the French Issuer and the Irish Issuer, the Belgian Issuer was not established directly in connection with the issuance of the Notes. Rather, it was established in connection with an advance of debt finance by MSDW Bank and Morgan Stanley & Co. Incorporated, represented by their subscription for the Belgian Bonds, and as such its position in the structure relating to the issuance of the Notes is analogous to that of the French Borrowers and the Irish Borrowers. The Belgian Issuer was incorporated as a *société anonyme* under Belgian law on 18th October, 2002. On 23rd June, 2003, the Belgian Issuer was converted from a *société anonyme* into a *société privée à responsabilité limitée* pursuant to the relevant provisions of the Belgian Company Code.

For further details about the Belgian Issuer, see "The Parties – The Belgian Issuer and its Related Parties – The Belgian Issuer" at page

88 and the "The Originated Assets – The Belgian Bonds – Status of the Belgian Issuer and the Belgian Property Owning Companies" at page 112.

The Belgian Security Agent ..... MSDW Finance (Netherlands) B.V. (the "**Belgian Security Agent**").

The Belgian Security Agent is a *besloten vennootschap* incorporated in The Netherlands. The security interests granted in respect of the Belgian Bonds have been granted by the Belgian Issuer to the Belgian Security Agent, acting in its own name under a parallel covenant to pay ("*solidarité active*") and as agent ("*mandataire*") for the holders from time to time of the Belgian Bonds.

For further details about the Belgian Security Agent, see "The Parties – The Belgian Issuer and its Related Parties – The Belgian Security Agent" at page 88.

The Belgian Property Owning Companies ..... Beta Invest S.P.R.L., Alfa Invest S.P.R.L., Centrum Invest S.P.R.L., Melodicum S.P.R.L., Polytrophys S.P.R.L., Seminole S.P.R.L. and Trealen S.P.R.L. (the "**Belgian Property Owning Companies**"). The Belgian Property Owning Companies were incorporated as *sociétés anonyme* under Belgian law. On 23rd June, 2003, each of the Belgian Property Owning Companies was converted from a *société anonyme* into a *société privée à responsabilité limitée* pursuant to the relevant provisions of the Belgian Company Code. Such conversion was undertaken in a manner which preserved the efficacy of the security interests granted to the Belgian Security Agent by the Belgian Property Owning Companies over their shares in the Belgian Issuer.

The Belgian Property Owning Companies together own the Belgian Properties and are all subsidiaries, directly or indirectly, of the Belgian Issuer. The Belgian Issuer has made the Belgian Intra-Group Loans to the Belgian Property Owning Companies.

For further information about the Belgian Property Owning Companies, see "The Parties – The Belgian Issuer and its Related Parties – The Belgian Property Owning Companies" at page 88.

The Belgian Issuer Related Parties ..... The Belgian Security Agent and the Belgian Property Owning Companies are together referred to as the "**Belgian Issuer Related Parties**".

The Belgian Bonds, the Belgian Properties and the Belgian Related Security

The Belgian Bonds and the Belgian Properties ..... The Belgian Bonds were issued by the Belgian Issuer on 7th November, 2002 and had an aggregate principal amount outstanding of ε59,400,000 as at the Cut-Off Date and are expected to have a principal amount outstanding of ε59,200,000 as at the Closing Date and ε58,714,000 as at the Belgian Bond Transfer Date (assuming that the scheduled principal repayment due on the Belgian Bonds on the Belgian Bond Transfer Date is made on that date). A certain amount of the indebtedness owing under the Belgian Bonds is secured by mortgages (*hypotheek/hypothèque*) governed by Belgian law over the Belgian Properties. The mortgages do not, however, secure the entire amount of principal and interest evidenced by the Belgian Bonds, and do not constitute the sole form of security granted in respect of the Belgian Bonds. Rather, the Issuer is relying both upon the insolvency remote nature of the Belgian Property Owning Companies and upon certain other forms of security interest to secure the indebtedness owing in respect of the Belgian Bonds. The relevant security interests include pledges over the shares of the Belgian

Property Owning Companies, pledges over the Rental Income payable in respect of the Belgian Properties, pledges over the Belgian Collection Accounts established by and in the name of each Belgian Property Owning Company, and any amounts from time to time standing to the credit thereof, and equity participations in and representations on the board of managers of each of the Belgian Property Owning Companies. In addition, mortgage mandates (*hypothecair mandaat/mandat hypothécaire*) have been granted empowering attorneys in fact appointed by the Belgian Security Agent to execute at any time, prior to the insolvency of the relevant Belgian Property Owning Companies, further mortgages over the Belgian Properties, without the need to seek the consent of the Belgian Issuer, the Belgian Property Owning Companies, or any other third party, in an amount up to the entire indebtedness outstanding in respect of the Belgian Bonds.

The Belgian Properties are of two types:

(a) 96.4 per cent. are office properties; and

(b) 3.6 per cent. are warehouse properties,

such percentages being based on the Origination Valuations of the Belgian Properties. On the basis of the Origination Valuations of the Belgian Properties, the LTV of the Belgian Bonds as at the Cut-Off Date was 80.0 per cent., the aggregate Origination Valuations of the Belgian Properties being ε74,247,000. The expected LTV of the Belgian Bonds at the time of their scheduled maturity is 73.2 per cent., again based on the aggregate Origination Valuations of the Belgian Properties.

The Belgian Issuer was incorporated under the laws of Belgium as a *société anonyme* at or around the time the Belgian Bonds were issued, and was incorporated for the purpose of issuing the Belgian Bonds and lending the proceeds thereof to the Belgian Property Owning Companies pursuant to the Belgian Intra-Group Loans. The Belgian Issuer is sponsored by a professional real property investor and its activities are restricted to issuing the Belgian Bonds and undertaking certain activities incidental to such issuance and it is thus a single purpose, insolvency remote vehicle. On 23rd June, 2003, the Belgian Issuer was converted into a *société privée à responsabilité limitée* pursuant to the relevant provisions of the Belgian Company Code, such conversion being undertaken in a manner which preserved the efficacy of the security interests previously granted to the Belgian Security Agent over the shares of the Belgian Issuer. The Belgian Issuer is not, however, the owner of any of the Belgian Properties. Each of the Belgian Properties is owned by a Belgian Property Owning Company, which are, in turn, direct or indirect wholly-owned subsidiaries of the Belgian Issuer.

The Belgian Property Owning Companies were not established as special purpose vehicles. Prior to the issuance of the Belgian Bonds, detailed financial due diligence in respect of the Belgian Property Owning Companies was carried out on behalf of the Originator in order to determine whether they were subject to any actual or contingent liabilities other than those arising in relation to their ownership of the Belgian Properties. This due diligence did not reveal the existence of any material liabilities. Further, in order to ensure that the activities of the Belgian Property Owning Companies remained restricted to the ownership and management of the Belgian Properties, thereby minimising the risk of the Belgian Property Owning Companies subsequently becoming subject to actual or contingent liabilities other than those arising in relation to their ownership of the Belgian Properties, various amendments were made

to their constitutional documents. Thus, the Belgian Property Owning Companies have, as a result of the process of due diligence and amendment, been converted into single purpose insolvency remote vehicles. On 23rd June, 2003, each Belgian Property Owning Company was converted into a *société privée à responsabilité limitée* pursuant to the relevant provisions of the Belgian Company Code, such conversion being undertaken in a manner which preserved the efficacy of the security interests previously granted to the Belgian Security Agent over the shares of the Belgian Property Owning Companies.

The Belgian Issuer has lent the proceeds of the issuance of the Belgian Bonds to the Belgian Property Owning Companies by way of the Belgian Intra-Group Loans. Payments of interest and repayments of principal in respect of the Belgian Bonds will be funded primarily from payments of interest and repayments of principal in respect of the Belgian Intra-Group Loans which, in turn, will be funded primarily from Rental Income generated by the Belgian Properties. To the extent that such principal repayments are not made from such Rental Income, they will be made from Refinancing Proceeds in respect of the Belgian Bonds or Disposal Proceeds in respect of the Belgian Properties.

For further information about the Belgian Bonds and the Belgian Issuer, see "The Originated Assets – The Belgian Bonds" at page 106. For further information about the Belgian Properties see "The Loans and Related Property Summaries– The Belgian Bonds" at page 156. Further information about the valuation of the Belgian Properties is also contained in electronic form, on the CD-ROM circulated contemporaneously with this Offering Circular. For further information about the CD-ROM, see "CD-ROM Disclaimer" at page 270.

Payments on the Belgian Bonds..... Rental Income generated by the Belgian Properties is paid by the tenants into a number of accounts (each a "**Belgian Rent Account**"), each in the name of a Belgian Property Owning Company. Each of these accounts is subject to a first ranking security interest in favour of the Belgian Security Agent. Following collection into such accounts, the relevant amounts are transferred at the end of each business day to a master bank account in the name of the Belgian Security Agent (the "**Belgian Master Rent Account**"). On each Belgian Bond Interest Payment Date, the Belgian Security Agent will apply amounts standing to the credit of the Belgian Master Rent Account to make payments of interest on, repayments of principal of, and payment of any other amounts due on, the Belgian Bonds. Following the Closing Date, on each Belgian Bond Payment Date, such payments of interest, repayments of principal and payment of any other amounts due will be made to the Issuer Transaction Account.

For further information about payments on the Belgian Bonds, see "The Originated Assets – The Belgian Bonds – Bank Accounts" at page 108.

The Belgian Related Security..... With respect to the Belgian Bonds, the principal elements of the Belgian Related Security are as follows:

(a) a first ranking pledge over the shares of the Belgian Issuer and each of the Belgian Property Owning Companies (which pledge continues in full force and effect notwithstanding the conversion of the corporate form of the Belgian Issuer and the Belgian Property Owning Companies from *sociétés anonymes* into *sociétés privées à responsabilité limitée*, and is in accordance with their articles of association);

(b) a first ranking pledge of the Rental Income payable in respect of the Belgian Properties;

(c) full cross-collateralisation pursuant to certain joint and several guarantees provided by the Belgian Property Owning Companies, in favour of the Belgian Security Agent and *vis-à-vis* each other, in respect of the Belgian Bonds; and

(d) a first ranking mortgage (*hypotheek/hypothèque*) over each of the Belgian Properties, which mortgages secure, in aggregate, 10 per cent. of the initial principal amount of the Belgian Bonds and, as far as the remainder of the principal amount outstanding of the Belgian Bonds is concerned, mortgage mandates (*hypothecair mandaat/mandat hypothécaire*) which empower attorneys in fact appointed by the Belgian Security Agent to create, at all times prior to insolvency of the relevant Belgian Property Owning Companies and without seeking any further permission, further mortgages over each Belgian Property up to such remaining principal amount (subject, among other things, to payment of the relevant registration fees, which equate to approximately 1.3 per cent. of the amount secured plus fees and other incidental costs).

The Belgian Related Security has been granted to the Belgian Security Agent in its own name and as agent for the holders from time to time of the Belgian Bonds.

All elements of the Belgian Related Security are governed by Belgian law. Because the mortgages over the Belgian Properties secure only 10 per cent. of the initial principal amount of the Belgian Bonds, in addition to the security interests described above, the Belgian Security Agent has obtained an equity participation in and representation on the board of managers of each of the Belgian Property Owning Companies, such representation occurring through an independent manager (the "**Independent Manager**") appointed by the Belgian Security Agent. This equity participation and board representation through the Independent Manager allows independent control to be exercised over the activities of the Belgian Property Owning Companies, including in relation to their dealings with the Belgian Properties and, hence, among other things, permits the Belgian Security Agent to intervene in the operations of the Belgian Property Owning Companies so as to avoid, as far as possible, a situation where security interests must be enforced, or otherwise to be informed on a timely basis of such a situation, allowing timely conversions of the mortgage mandates, at any time prior to insolvency of the Belgian Property Owning Companies, into full mortgages over the Belgian Properties.

Under the terms of the Belgian Bonds, appropriate insurance cover in respect of the Belgian Properties is required to be maintained by the Belgian Property Owning Companies.

For further information about the Belgian Related Security, see "The Originated Assets – The Belgian Bonds" at page 106.

Transfer of the Belgian Bonds ..... On the Closing Date, the Originator will enter into (a) the Single Belgian Bond Sale Agreement pursuant to which it will agree to purchase from Morgan Stanley & Co. Inc. the single Belgian Bond not currently owned by the Originator, and (b) the Belgian Bond Sale Agreement pursuant to which it will agree to sell all of the Belgian Bonds (including the single Belgian Bond currently owned by Morgan Stanley & Co. Inc.) to the Issuer in consideration for a purchase price of ε58,714,000, which will be the aggregate principal amount outstanding under the Belgian Bonds on the Belgian Transfer Date, calculated on the assumption that the scheduled principal

repayment due on the Belgian Bonds on the Belgian Bond Transfer Date is made on that date. While the Single Belgian Bond Sale Agreement and the Belgian Bond Sale Agreement will each be entered into by the parties thereto on the Closing Date, the transfers of the Belgian Bonds thereunder will not occur until the Belgian Bond Transfer Date. Certain Belgian withholding tax rules provide for an exemption from withholding tax on interest payments in respect of registered bonds held by non-resident investors who are not using such bonds for a business activity in Belgium, subject to certain conditions, including a condition that the ownership of the registered bonds does not change at any time other than on a note interest payment date in respect of such bonds. The first Belgian Bond Interest Payment date following the Closing Date is the Belgian Bond Transfer Date. On the Closing Date, the portion of the proceeds of the issuance of the Notes which will be used by the Issuer to fund the purchase of the Belgian Bonds on the Belgian Bond Transfer Date (being ε58,714,000) will be placed by the Issuer into the Issuer Deposit Account. The Issuer Deposit Account will be held with the Issuer Operating Bank and, on the Closing Date, the Issuer will grant security over the Issuer Deposit Account in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge and Assignment. Initially, the Issuer Security Trustee will hold the benefit of this security for the Originator to secure the Issuer's obligation to pay the purchase price of the Belgian Bonds on the Belgian Bond Transfer Date in consideration for the transfer of the Belgian Bonds. If the transfer of the Belgian Bonds to the Issuer does not occur on the Belgian Bond Transfer Date (in particular, because any condition precedent to completion of such transfer is not satisfied in accordance with the terms of the Single Belgian Bond Sale Agreement and the Belgian Bond Sale Agreement), the Issuer Security Trustee will cease to hold the benefit of the security granted over the Issuer Deposit Account on trust for the Originator and will instead hold such security for the benefit of the Issuer Secured Parties, and the Notes will be prepaid in the aggregate principal amount of ε58,714,000 on the Note Interest Payment Date immediately following 5th February, 2004.

For further information about the transfer of the Belgian Bonds, see "Sale of Originated Assets – Sale of the Belgian Bonds" at page 117.

The Notes

Status and Form..... The Notes will be issued on the Closing Date in an aggregate principal amount of ε302,900,300 and in denominations of at least ε50,000 and integral multiples of ε100 thereafter, and will be constituted by the Note Trust Deed. The Notes of each class will rank *pari passu* without any preference or priority among themselves.

The Notes will all share the benefit of the Issuer Security. However, in the event of the Issuer Security being enforced, the Class A Notes will rank higher in priority to the Class B Notes, the Class B Notes will rank higher in priority to the Class C Notes, the Class C Notes will rank higher in priority to the Class D Notes, the Class D Notes will rank higher in priority to the Class E Notes and the Class E Notes will rank in priority to the Class F Notes.

The Notes to be sold in reliance on Regulation S (the "**Reg S Notes**") will be initially represented by interests in a global note for each class of Notes (each a "**Reg S Global Note**" and together the "**Reg S Global Notes**") in bearer form. The Notes to be sold within the United States to Qualified Institutional Buyers who are also Qualified Purchasers in reliance on Rule 144A (the "**Rule 144A Notes**") will be initially represented by two global notes in bearer

form for each class of Notes (each a "**Rule 144A Global Note**" and together the "**Rule 144A Global Notes**"). The Reg S Global Notes and the Rule 144A Global Notes are together referred to herein as the "**Global Notes**".

The Global Notes will be deposited with the Depository pursuant to the Depository Agreement. The Depository will then register a certificateless depository interest in respect of one of the Rule 144A Global Notes for each class of Notes in the name of The Depository Trust Company ("**DTC**") or its nominee, issue a certificated depository interest in respect of the other Rule 144A Global Note for each class of Notes to HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee on behalf of HSBC Bank plc (the "**Common Depositary**") as common depositary for the account of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and issue a certificated depository interest in respect of the Reg S Global Note for each class of Notes to the Common Depositary (each certificateless depository interest and certificated depository interest, a "**CDI**"). All of the CDIs will together represent a 100 per cent. interest in the underlying Global Note relating thereto. Each of DTC, Euroclear and Clearstream, Luxembourg will record the beneficial interests in the CDIs attributable to the relevant Global Notes. For further information about the status and form of the Notes, see "Subscription and Sale" at page 262 and "Description of the Notes and the Depository Agreement" at page 219.

Transfers of interests in the Global Notes are subject to certain additional restrictions. In particular, to enforce the restrictions on transfers of interests in any Notes issued in the form of a Global Note, the Note Trust Deed permits the Issuer to demand that the holder of any interest in a Rule 144A Global Note held by a U.S. Person as defined in Regulation S who is determined not to have been both a Qualified Institutional Buyer and a Qualified Purchaser at the time of acquisition of such interest and any interest in a Reg S Global Note held by a U.S. Person at the time of acquisition of such interest if such acquisition occurred prior to the date that is 40 days after the later of the commencement of the offering of the Notes and the original issuance of the Notes (the "**Distribution Compliance Period**") in each case, sell such interest to a holder that is permitted under the Note Trust Deed and, if the holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Notes. In addition, transferees of Global Notes will be deemed to have made certain representations relating to compliance with all applicable securities, ERISA and tax laws.

For further information about restrictions on transferring the Notes, see "Transfer Restrictions" at page 266.

Except in limited circumstances, the Notes will not be available in definitive form (each such Note, a "**Definitive Note**"). For so long as the Notes are represented by the Global Notes held by the Depository, such Notes will be transferable in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg.

Interests in Reg S Global Notes may only be exchanged for interests in Rule 144A Global Notes in connection with transfers to persons who are eligible to hold such Notes pursuant to Rule 144A and otherwise in compliance with the Securities Act and upon appropriate certification in the manner provided in the Depository Agreement. Prior to the expiration of the Distribution Compliance Period, interests in Rule 144A Global Notes may only be exchanged

for interests in Reg S Global Notes in connection with transfers to non-U.S. persons in offshore transactions (as defined in Regulation S) in reliance on Regulation S and otherwise in compliance with the Securities Act and upon appropriate certification in the manner provided in the Depository Agreement.

So long as the Notes are held by the Depository in global form, the Depository will be deemed for all purposes to be the owner of such Notes and will be entitled to receive all principal, premium (if any), interest and other amounts payable in respect of the Notes but will, for the purposes of forming a quorum for meetings of Noteholders, be deemed to constitute two persons.

The Note Trustee, in performing its duties under the Note Trust Deed, is required to have regard to the interests of the holders of the Class A Notes (the "**Class A Noteholders**"), the holders of the Class B Notes (the "**Class B Noteholders**"), the holders of the Class C Notes (the "**Class C Noteholders**"), the holders of the Class D Notes (the "**Class D Noteholders**"), the holders of the Class E Notes (the "**Class E Noteholders**") and the holders of the Class F Notes (the "**Class F Noteholders**" and, together with the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, the "**Noteholders**"), but where there is, in the Note Trustee's opinion, a conflict between the interests of the various classes of Noteholders, the Note Trustee will be required to have regard only to the interests of the holders of the most senior class of Notes then outstanding.

The Noteholders of certain classes of Notes are restricted in their ability to pass Extraordinary Resolutions.

For further information about the voting rights attaching to the Notes, see "Terms and Conditions of the Notes – Condition 3(*A*)(d)" and "Terms and Conditions of the Notes – Condition 12" at page 229 and page 246 respectively.

Limited Recourse ..... Claims against the Issuer by Noteholders in respect of the Notes will be limited to the value of the Issuer Security. In the event of enforcement of the Issuer Security, the proceeds of realisation of the Issuer Security may, after paying or providing for all prior-ranking claims, be less than the amounts due to Noteholders or certain classes of the Noteholders. All claims in respect of such shortfall, after realisation of or enforcement with respect to all of the Issuer Security, will be extinguished. Noteholders will not have recourse to any other assets of the Issuer, including, without limitation, assets securing subsequent note issuances made by the Issuer and unrelated to the Notes and the Issuer Security.

For further details about the Issuer Security, see "Security for the Notes" at page 54.

Interest..... Each Note will bear interest on its Principal Amount Outstanding (as defined in Condition 6(e) at page 240) from, and including, the Closing Date. Interest will be payable in respect of the Notes in euro, quarterly in arrear on the 18th day in February, May, August and November in each year or, if such day is not a day on which banks are generally open for business (other than a Saturday or Sunday) in London, England, Luxembourg, Dublin, Ireland, New York, New York and on which the Trans-European Automated Real-time Gross Settlement Express Transfer system is generally open for business (a "**Business Day**"), the next following Business Day unless such Business Day falls in the next succeeding calendar month, in which event, interest will be payable on the immediately preceding Business Day (each such day being a "**Note Interest Payment**

Date"). The first Note Interest Payment Date in respect of each class of Notes will be 18th February, 2004.

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

The interest rate applicable to the Notes from time to time will be EURIBOR for three-month euro deposits (or, in the case of the first Note Interest Period, a rate determined by the linear interpolation of EURIBOR for two and three-month euro deposits) plus the Relevant Margin.

The "**Relevant Margin**" in respect of each class of Notes will be:

Class	Relevant Margin
A	0.38 per cent. per annum
B	0.60 per cent. per annum
C	0.90 per cent. per annum
D	1.75 per cent. per annum
E	2.25 per cent. per annum
F	3.00 per cent. per annum

Whenever it is necessary to compute an amount of interest in respect of any of the Notes for any period, such interest will be calculated on the basis of actual days elapsed and a 360-day year.

Failure by the Issuer to pay interest on the most senior class of Notes which is still outstanding when due and payable will result in the occurrence of an event of default in respect of the Notes (a "**Note Event of Default**") which may, in turn, result in the Note Trustee instructing the Issuer Security Trustee to enforce the Issuer Security.

To the extent that funds available to the Issuer on any Note Interest Payment Date are, after paying any interest then accrued due and payable on the more senior-ranking class or classes of Notes then outstanding, insufficient to pay in full interest due on any one or more classes of more junior-ranking Notes then outstanding, the shortfall in the amount then due on the junior-ranking Notes will not be paid but will, save with respect to the Class E Notes and the Class F Notes, be paid on subsequent Note Interest Payment Dates, in accordance with the seniority of the affected classes of junior-ranking Notes, if and when permitted by funds available on such subsequent Note Interest Payment Dates after the Issuer's other higher priority liabilities have been discharged. The Issuer's obligation to pay interest in respect of the Class E Notes and the Class F Notes is limited, on each Note Interest Payment Date, to an amount equal to the lesser of (a) the Note Interest Amount (as defined in Condition 5(d) at page 234) in respect of such class of Notes for that Note Interest Payment Date, and (b) the Adjusted Note Interest Amount (as defined in Condition 5(i) at page 235).

Principal Final Redemption ..... Unless previously redeemed, the Notes will be redeemed at their Principal Amount Outstanding together with accrued and previously unpaid interest, on the Note Interest Payment Date falling in February 2013 (the "**Note Maturity Date**").

Mandatory Redemption in Part ..... Unless a Note Enforcement Notice has been served, the Notes will be subject to mandatory redemption in part on any Note Interest Payment Date under certain circumstances as follows:

(a) upon the Collateral Manager exercising its right to purchase any of the Issuer Assets in certain limited circumstances pursuant to the Collateral Management Agreement; and

(b) upon any redemption, in whole or in part, of the French Units, the Irish Notes or the Belgian Bonds.

A mandatory redemption in part of the Notes will result in the termination of a corresponding portion of the related Swap Transaction or Swap Transactions. In this event, either the Issuer or the Swap Provider may be required, under the terms of the Swap Agreement and depending on the circumstances then prevailing, to make a termination payment to the other.

All amounts paid by the Collateral Manager to the Issuer in respect of a purchase of any Issuer Assets contemplated in (a) above shall be credited to the Issuer Transaction Account and be allocable to Issuer Asset Interest Receipts or Issuer Asset Principal Receipts, as applicable.

For further information about the circumstances under which mandatory redemption of the Notes will occur, see "Terms and Conditions of the Notes – Condition 6(c)", "Terms and Conditions of the Notes - Condition 6(d)" and "Terms and Conditions of the Notes - Condition 6(e)" at pages 238, 239 and 240 respectively. For further information about the circumstances under which the Collateral Manager may acquire the Issuer Assets, see "Issuer Collateral Management" at page 198.

Mandatory Redemption in Full ..... The Notes will be subject to redemption in full, but not in part, on any Note Interest Payment Date, under the following circumstances:

(a) if the Issuer satisfies the Note Trustee that by virtue of a change in any law from that in effect on the Closing Date, the Issuer will be obliged to make any withholding or deduction for tax from payments made by it in respect of the Notes and such requirement cannot be avoided by the Issuer taking reasonable measures available to it; or

(b) if a Tax Event occurs under the Swap Agreement and (i) the Issuer cannot avoid such Tax Event by taking reasonable measures available to it, (ii) the Swap Provider is unable to transfer its rights and obligations thereunder to another branch, office or affiliate to cure the Tax Event, and (iii) the Issuer is unable to find a replacement swap provider (the Issuer being obliged to use reasonable efforts to find a replacement swap provider),

provided that in any such case, the Issuer has certified to the Note Trustee that either (i) it will have sufficient funds available to it on the relevant Note Interest Payment Date to discharge all of its liabilities in respect of the Notes and all amounts owed to any Issuer Secured Party which is required to be paid in priority to, or *pari passu* with, the Notes on such Note Interest Payment Date, all in accordance with the priority of payments, or (ii) it will have sufficient funds to discharge all of the amounts referred to in (i) above, other than sufficient funds to discharge in full amounts then owing in respect of the most junior class of Notes then outstanding, and that the Issuer has obtained the written consent of the Note Trustee and all the Noteholders of such lowest class of Notes to the redemption of such Notes at such lower amount.

For further information about mandatory redemption of the Notes, see "Terms and Conditions of the Notes – Condition 6(c)", "Terms

and Conditions of the Notes - Condition 6(d)" and "Terms and Conditions of the Notes - Condition 6(e)" at pages 238, 239 and 240 respectively.

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

Expected Ratings

Class	Fitch	Moody's	S&P
A	AAA	Aaa	AAA
B	AA	Aa2	AA
C	A	A2	A
D	BBB+	Baa2	BBB+
E	BBB-	-	BBB
F	-	-	BB

Prospective investors in the Notes should be aware that 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 rating agencies assigning such ratings. The ratings from the Rating Agencies only address the likelihood of timely receipt by any Noteholder of interest on the Notes and the ultimate receipt by any Noteholder of principal of the Notes by the Note Maturity Date and do not address the likelihood of receipt by any Noteholder of principal prior to the Note Maturity Date. Furthermore, the ratings on the Notes only address the credit risks associated with the underlying transactions and do not address the non-credit risks, which may have a significant effect on the receipt by Noteholders of interest and principal.

The ratings of the Notes are dependent upon, among other things, the short-term (and, in the case of the Swap Guarantor, long-term) unsecured, unsubordinated debt ratings of the Liquidity Facility Provider and the Swap Guarantor. Consequently, a qualification, downgrade or withdrawal of any such rating by a Rating Agency may have an adverse effect on the ratings accorded to all or any classes of the Notes.

Further Issues ..... The Issuer may, in the future, after redemption of the Notes in full, purchase other debt obligations secured over commercial real properties located in Western Europe and may issue notes to fund such purchases.

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

Settlement ..... DTC, Euroclear and Clearstream, Luxembourg.

Governing Law ..... The Notes and the Note Trust Deed will be governed by English law.

Tax Status ..... For information about the tax status of the Notes, see "Luxembourg Taxation" at page 254 and "United States Taxation" at page 255.

ERISA Considerations ..... For information about the ERISA considerations relating to the Notes, see "ERISA Considerations" at page 260.

Available Funds and their Priority of Application: The Notes

Source of Funds ..... The primary sources of funds available to the Issuer to make payments of interest on and repayments of principal of the Notes will be as follows:

(a) payments of interest on and repayments of principal of the French Units. Such payments will be made on each French Unit Interest Payment Date to the Issuer Transaction Account;

(b) payments of interest on and repayment of principal of the Irish Notes. Such payments will be made on each Irish Note Interest Payment Date to the Issuer Transaction Account;

(c) payments of interest on and repayment of principal of the Belgian Bonds. Such payments will be made on each Belgian Bond Payment Date to the Issuer Transaction Account.

Funds paid into Issuer Transaction Account..... All amounts standing to the credit of the Issuer Transaction Account from time to time will be referable to the following sources:

(a) "**Issuer Asset Interest Receipts**", which comprise:

(i) "**French Unit Interest Receipts**", which comprise all payments of interest on the French Units made by the French Issuer other than payments of interest related to the French Prepayment Fees;

(ii) "**Irish Note Interest Receipts**", which comprise all payments of interest on the Irish Notes made by the Irish Issuer other than payments of interest related to the Irish Prepayment Fees;

(iii) "**Belgian Bond Interest Receipts**", which comprise all payments of interest, fees (other than Belgian Prepayment Fees), breakage costs, if any, incurred by the Belgian Issuer, expenses, commissions and other sums, in each case made by the Belgian Issuer in respect of the Belgian Bonds (other than payments in respect of principal), including recoveries in respect of such amounts on enforcement of the security granted in respect of the Belgian Bonds, amounts received upon a repurchase of the Belgian Bonds pursuant to the Belgian Bond Sale Agreement or disposal of the Belgian Bonds pursuant to the enforcement of the security granted by the Issuer in respect of the Belgian Bonds; and

(iv) "**Collateral Manager Interest Payments**", which comprise amounts in respect of accrued and unpaid interest received by the Issuer from the Collateral Manager in connection with the purchase of any Issuer Asset in accordance with the Collateral Management Agreement and which are allocable to expected but unpaid interest in respect of such Issuer Assets.

(b) "**Issuer Asset Principal Receipts**", which comprise:

(i) "**French Unit Principal Receipts**", which comprise all payments of principal on the French Units made by the French Issuer;

(ii) "**French Unit Redemption Funds**", which comprise the proceeds of the redemption in full of the French Units due to a change in any law obliging the French Issuer to withhold or deduct for tax from payments in respect of the French Units;

(iii) "**Irish Note Principal Receipts**", which comprise all payments of principal on the Irish Notes made by the Irish Issuer;

(iv) "**Irish Note Redemption Funds**", which comprise the proceeds of the redemption in full of the Irish Notes due to a change in any law obliging the Irish Issuer to withhold or deduct for tax from payments in respect of the Irish Notes;

(v) "**Belgian Bond Principal Receipts**", which comprise:

(A) "**Belgian Bond Amortisation Funds**", which comprise all repayments of principal of the Belgian Bonds made by the Belgian Issuer other than payments which comprise Belgian Bond Prepayment Redemption Funds, Belgian Bond Final Redemption Funds or Belgian Bond Principal Recovery Funds;

(B) "**Belgian Bond Prepayment Redemption Funds**", which comprise all payments of principal of the Belgian Bond made by the Belgian Issuer in connection with any prepayment in part or in full in respect of the Belgian Bonds (including insurance proceeds not applied to reinstate any Belgian Property) and all principal amounts paid to the Issuer on repurchase of the Belgian Bonds from the Issuer pursuant to the Belgian Bond Sale Agreement or disposal of the Belgian Bonds pursuant to enforcement of the security granted by the Issuer in respect of the Belgian Bonds;

(C) "**Belgian Bond Final Redemption Funds**", which comprise the repayment of principal of the Belgian Bonds made on their scheduled final maturity date;

(D) "**Belgian Bond Principal Recovery Funds**", which comprise all amounts recovered and applied in repayment of principal of the Belgian Bonds as a result of enforcement of the Belgian Bonds; and

(vi) "**Collateral Manager Principal Payments**", which comprise amounts in respect of principal received by the Issuer from the Collateral Manager in connection with the purchase of any Issuer Asset in accordance with the Collateral Management Agreement and which are allocable to the outstanding principal of such Issuer Asset;

(c) "**Belgian Prepayment Fees**", which comprise all fees and costs (except for breakage costs, if any) paid by the Belgian Issuer in connection with any prepayment in part or in full of the Belgian Bonds, including any such fees arising from a prepayment following the enforcement of the Belgian Bonds;

(d) "**Swap Breakage Receipts**", which are amounts received by the Issuer from the Swap Provider or the Swap Guarantor in the event that any Swap Transaction is terminated prior to its scheduled termination date; and

(e) "**Inter-Company Loan Repayments**", which are amounts received by the Issuer from either the French Issuer or the Irish Issuer in repayment of amounts made available to them under the Inter-Company Loan Agreement.

Prepayment Fees and Swap Breakage Receipts..... Belgian Prepayment Fees (and, for the avoidance of doubt payments of interest on the French Units and Irish Notes represented by French Prepayment Fees and Irish Prepayment Fees respectively) and Swap Breakage Receipts other than those of the type contemplated in (i) and (ii) of paragraph (b) of "Available Issuer Interest Receipts"

below will not be included in the calculation of Issuer Asset Interest Receipts. Such amounts will, upon receipt in the Issuer Transaction Account, be payable directly by the Issuer to MSMS by way of consideration for its appointment as Collateral Manager under the Collateral Management Agreement, or to any assignee of MSMS (whether or not acting as Collateral Manager).

Payments out of the Issuer Transaction Account prior to Enforcement of the Notes

Issuer Priority Payments..... The Cash Manager shall, in the case of the amounts referred to in paragraph (a) below, and otherwise may, make the following payments out of the Issuer Transaction Account in priority to all other payments required to be made by the Issuer on any day such payments are required:

(a) out of Issuer Asset Interest Receipts and, where Issuer Asset Interest Receipts are insufficient, out of Issuer Asset Principal Receipts then available, or if such amounts are insufficient, from the proceeds of Direct Expense Drawings, amounts due to third parties (other than the Issuer Related Parties), including the Issuer's liability, if any, to corporation tax and/or value added tax, on a date other than a Note Interest Payment Date under obligations incurred in the course of the Issuer's business;

(b) after a Belgian Bond Event of Default, any urgent capital expenditure required to prevent a material decline in the value of any Belgian Property, to be funded out of Issuer Asset Interest Receipts and, where Issuer Asset Interest Receipts are insufficient, out of Issuer Asset Principal Receipts; and

(c) any amounts required to fund advances under the Inter-Company Loan Agreement or by using the proceeds of Indirect Expense Drawings credited to the Issuer Transaction Account.

Such payments are together referred to as the "**Issuer Priority Payments**".

Available Issuer Interest Receipts..... On each Note Interest Payment Date prior to the service of a Note Enforcement Notice, the Issuer or the Swap Provider, as the case may be, will make any relevant payment then due and payable in respect of any Swap Transaction under the Swap Agreement.

Following such payment, on each Note Interest Payment Date:

(a) all Issuer Asset Interest Receipts transferred to the Issuer Transaction Account during the Note Collection Period (as defined in Condition 6(b) at page 236) ending immediately prior to such Note Interest Payment Date (net of any Issuer Asset Interest Receipts applied during such Note Collection Period in payment of Issuer Priority Payments or to make any relevant payment under the Swap Agreement); **plus**

(b) any payments received by the Issuer from the Swap Provider or the Swap Guarantor in respect of any Swap Transaction on such Note Interest Payment Date, including any Swap Breakage Receipts which comprise (i) any Swap Breakage Receipts paid to the Issuer following an early termination of the Swap Agreement where the Swap Provider was the Defaulting Party (as defined in the Swap Agreement), or (ii) any Swap Breakage Receipts paid to the Issuer following any default under a Loan that are required for the purposes of covering any shortfall arising on such

defaulted Loan, provided that Available Issuer Interest Receipts shall not include amounts received by the Issuer in respect of (A) any amounts provided by the Swap Provider by way of collateral pursuant to the Swap Agreement Credit Support Document, and (B) any other Swap Breakage Receipts which do not comprise those amounts described at (i) and (ii) above; **plus**

(c) the proceeds of any Interest Drawing, Accrued Interest Drawing or Direct Expense Drawing made by the Issuer under and in accordance with the Liquidity Facility Agreement, in respect of such Note Interest Payment Date; **plus**

(d) all Inter-Company Loan Repayments received from either the French Issuer or the Irish Issuer; **plus**

(e) any interest accrued upon and paid to the Issuer in respect of funds standing to the credit of the Issuer Transaction Account, the Stand-by Account, the Issuer Deposit Account or any other account maintained by the Issuer and not paid out on any previous Note Interest Payment Date or interest on eligible investments purchased by the Issuer using such funds; **plus**

(f) an amount equal to one per cent. of the aggregate of any French Principal Recovery Funds, any Irish Principal Recovery Funds and any Belgian Principal Recovery Funds recovered by or on behalf of the French Issuer, the Irish Issuer or the Issuer, as the case may be, in respect of the related Note Collection Period (such amounts having been deducted from the Available Issuer Principal Receipts); **plus**

(g) an amount equal to the aggregate of the following (such amounts having been deducted from the Available Issuer Principal Receipts):

(i) up to one per cent. of the French Amortisation Funds, French Prepayment Redemption Funds and French Final Redemption Funds received by or on behalf of the French Issuer during the related Note Collection Period in respect of any French Loan while it was a Corrected Loan; and

(ii) up to one per cent. of the Irish Amortisation Funds, Irish Prepayment Redemption Funds and Irish Final Redemption Funds received by or on behalf of the Irish Issuer during the related Note Collection Period in respect of either Irish Loan while it was a Corrected Loan; and

(iii) up to one per cent. of the Belgian Bond Amortisation Funds, Belgian Prepayment Redemption Funds and Belgian Final Redemption Funds received by or on behalf of the Issuer during the related Note Collection Period in respect of the Belgian Bonds while they were a Corrected Loan,

such amounts constituting the "**Available Issuer Interest Receipts**", will be applied in the following order of priority (in each case only if and to the extent that payments and provisions of a higher priority have been made in full):

(a) **first**, in payment or discharge to or towards amounts due and payable by the Issuer on such Note Interest Payment Date to:

(i) the Note Trustee, the Issuer Security Trustee and any third party appointed in order to enforce the Issuer Security, on a *pari passu* basis; then

(ii) the Paying Agents and the Agent Bank under the Agency Agreement; then

(iii) on a *pari passu* basis, to the extent not already paid, any amounts, due to the Collateral Manager and the Special Collateral Manager pursuant to the Collateral Management Agreement (including, without limitation, the Collateral Management Fee, the Belgian Bond Services Fee, the Administrative Services Fee, the Special Collateral Management Fee, any Liquidation Fee and any Work-out Fee); then

(iv) the Cash Manager under the Cash Management Agreement; then

(v) the Corporate Services Provider under the Corporate Services Agreement; then

(vi) the Share Trustee under the Share Declaration of Trust; then

(vii) the Nominee Trustee under the Nominee Declaration of Trust; then

(viii) the Issuer Operating Bank under the Cash Management Agreement; then

(ix) the Depository under the Depository Agreement; then

(x) the Exchange Agent under the Exchange Rate Agency Agreement; then

(xi) the Swap Provider under the Swap Agreement in respect of any payments due to be made by the Issuer following an early termination of an Interest Rate Swap Transaction under the Swap Agreement (other than payments to be made by the Issuer referred to in item (h) below); and then

(xii) the Liquidity Facility Provider under and in accordance with the Liquidity Facility Agreement in respect of the payment of interest on and repayment of any Interest Drawing, Accrued Interest Drawing or Expense Drawing made by the Issuer under the Liquidity Facility Agreement, together with the commitment fee then due and payable and all other amounts then due from the Issuer under the Liquidity Facility Agreement, other than Liquidity Subordinated Amounts (as defined in item (i) below);

(b) **second**, in payment or discharge to or towards sums due to third parties (other than payments made to any third party as described in item (a) of "Issuer Priority Payments" above) under obligations incurred in the course of the Issuer's business, including provision for any such obligations expected to come due in the following Note Interest Period and the payment of the Issuer's liability (if any) to value added tax and to corporation tax;

(c) **third**, in payment or discharge to or towards interest due on the Class A Notes;

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

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

(f) **sixth**, in payment or discharge to or towards interest due and interest overdue (and any interest due on such overdue interest) on the Class D Notes;

(g) **seventh**, in payment or discharge to or towards interest due and interest overdue on the Class E Notes (but not including any interest overdue on the Class E Notes attributable to a reduction in the interest-bearing balance of the Originated Assets as a result of prepayments);

(h) **eighth**, in payment or discharge to or towards interest due and interest overdue on the Class F Notes (but not including any interest overdue on the Class F Notes attributable to a reduction in the interest-bearing balance of the Originated Assets as a result of prepayments);

(i) **ninth**, in payment or discharge to or towards any amounts due and owing by the Issuer on such Note Interest Payment Date to the Swap Provider under the Swap Agreement in respect of any payments due to be made by the Issuer following an early termination of any Swap Transaction under the Swap Agreement as a result of an Event of Default (as defined in the Swap Agreement) under the Swap Agreement in respect of which the Swap Provider is the Defaulting Party (as defined in the Swap Agreement);

(j) **tenth**, in payment or discharge to or towards any amounts in respect of any increased costs, mandatory costs or tax gross up amounts owing under the Liquidity Facility Agreement, to the extent that such increased costs, mandatory costs or tax gross up amounts exceed 0.125 per cent. per annum of the commitment provided under the Liquidity Facility Agreement and any increase in the commitment fee payable to the Liquidity Facility Provider as a result of the imposition of increased costs on the Liquidity Facility Provider (the amounts owing under this paragraph (i) being the "**Liquidity Subordinated Amounts**" in respect of such Note Interest Payment Date);

(k) **eleventh**, in payment or discharge of that component of the Supplemental Collateral Management Fee that comprises excess Available Issuer Interest Receipts to MSMS or the person or persons otherwise entitled thereto provided that if a Liquidity Support Event has occurred and is continuing, the amount owing under this paragraph (j) shall be transferred to the Stand-by Account; and

(l) **twelfth**, any surplus to the Issuer.

Prepayment Fees..... No amounts representing French Prepayment Fees, Irish Prepayment Fees or Belgian Prepayment Fees will be applied in accordance with the Available Issuer Interest Receipts priority of payments but will be paid directly to the Collateral Manager as an element of the Supplemental Collateral Management Fee.

Available Issuer Principal Receipts..... On each Note Interest Payment Date, Available Issuer Principal Receipts will be applied as set out below.

Available Sequential Issuer Principal Receipts

An amount equal to the Available Issuer Principal Receipts less an amount equal to 50 per cent. of all Available Issuer Principal Receipts attributable to French Prepayment Redemption Funds, Irish Prepayment Redemption Funds, Belgian Bond Prepayment Redemption Funds, French Final Redemption Funds, Irish Final Redemption Funds and Belgian Bond Final Redemption Funds ("**Available Sequential Issuer Principal Receipts**") will be applied in the following order of priority (in each case only if and to the extent that payments and provisions of a higher priority have been made in full):

(a) **first**, in repaying or paying any amounts due or overdue in respect of the repayment of any Principal Drawings then outstanding under and in accordance with the Liquidity Facility Agreement;

(b) **second**, in repaying principal on the Class A Notes until all of the Class A Notes have been redeemed in full;

(c) **third**, in repaying principal on the Class B Notes until all of the Class B Notes have been redeemed in full;

(d) **fourth**, in repaying principal on the Class C Notes until all of the Class C Notes have been redeemed in full;

(e) **fifth**, in repaying principal on the Class D Notes until all of the Class D Notes have been redeemed in full;

(f) **sixth**, in repaying principal on the Class E Notes until all of the Class E Notes have been redeemed in full;

(g) **seventh**, in repaying principal on the Class F Notes until all of the Class F Notes have been redeemed in full;

(h) **eighth**, in payment of that component of the Supplemental Collateral Management Fee that comprises excess Available Sequential Issuer Principal Receipts to MSMS or the person or persons otherwise entitled thereto provided that if a Liquidity Support Event has occurred and is continuing, the amount owing under this paragraph (h) shall be transferred to the Stand-by Account; and

(i) **ninth**, any surplus to the Issuer.

Available Pro Rata Issuer Principal Receipts

An amount equal to 50 per cent. of all Available Issuer Principal Receipts attributable to French Prepayment Redemption Funds, Irish Note Prepayment Redemption Funds, Belgian Bond Prepayment Redemption Funds, French Final Redemption Funds, Irish Note Final Redemption Funds and Belgian Bond Final Redemption Funds ("**Available Pro Rata Issuer Principal Receipts**") will be applied in the following order of priority (in each case only if and to the extent that payments and provisions of a higher priority have been paid in full):

(a) **first**, in repaying or paying any amounts due or overdue in respect of the repayment of any Principal Drawings outstanding, under and in accordance with the Liquidity Facility Agreement;

(b) **second**, in repaying concurrently, *pari passu* and *pro rata*, according to the Principal Amount Outstanding of each class of Notes on the Closing Date, principal on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E

Notes and the Class F Notes until each such Note is redeemed in full and, to the extent a prior-ranking class of Notes has been redeemed in full, the Available Pro Rata Issuer Principal Receipts that would have otherwise been applied to redeem such prior-ranking Notes shall be applied in redeeming the next most senior class of Notes outstanding;

(c) **third**, in paying that component of the Supplemental Collateral Management Fee that comprises excess Available Pro Rata Issuer Principal Receipts to MSMS or the person or persons otherwise entitled thereto provided that if a Liquidity Support Event has occurred and is continuing, the amount owing under this paragraph (c) shall be transferred to the Stand-by Account; and

(d) any surplus to the Issuer,

provided that, in the event that any of the following circumstances exist on a Note Calculation Date, on the next following Note Interest Payment Date, Available Pro Rata Issuer Principal Receipts shall be applied concurrently with, and in the same order of priority as, Available Sequential Issuer Principal Receipts as set out in (a) to (h) of "Available Sequential Issuer Principal Receipts" above, all as more fully set out in the Issuer Deed of Charge and Assignment:

(A) there is any event of default subsisting under any French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Document on such Note Calculation Date; or

(B) the cumulative percentage of Loans (calculated by reference to the principal amount outstanding of the Loans as at the Cut-Off Date) which have defaulted since the Closing Date is greater than 15 per cent. of the aggregate principal amount outstanding of the Loans as at the Cut-Off Date; provided that, in determining whether a Loan has defaulted for the purposes of this paragraph (B):

(1) such determination shall be made solely on the basis of the terms of the relevant French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Document as at the Closing Date and without regard to any subsequent amendments to the relevant French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Document or waivers granted in respect thereof; and

(2) a default shall not be deemed to have occurred if (a) the default is with respect to payment and such default has been remedied or cured within five Business Days of such default, and/or (b) the default is other than with respect to payment, the default is capable of being remedied or cured and such default has been remedied or cured by the Borrower within 30 days of such default being notified in accordance with the terms of the relevant French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Documents, and/or (c) enforcement procedures have been completed and the principal amount outstanding of all amounts of interest, fees, expenses and any other amounts payable by the relevant Borrower in respect of such defaulted Loan have been received in full or the relevant Borrower has prepaid the defaulted Loan in full (including, for the avoidance of doubt, all amounts of interest, fees,

expenses and other amounts payable by the relevant Borrower in respect of such defaulted Loan); or

(C) there has been any loss incurred by the Noteholders since the Closing Date resulting from a failure to repay principal of, or pay interest on, any Note on the due date for such payment; or

(D) the aggregate Principal Amount Outstanding of all the Notes on such Note Calculation Date is less than 20 per cent. of their Principal Amount Outstanding as at the Closing Date.

Payments paid out of the Issuer Transaction Account Post-Enforcement of the Notes..... The Issuer Security will become enforceable upon the Note Trustee giving a Note Enforcement Notice and instructing the Issuer Security Trustee to enforce the Issuer Security or any part thereof. Following enforcement of the Issuer Security, the Issuer Security Trustee will be required to apply all funds received or recovered by it in accordance with the order of priority applicable in such circumstances.

For further information about the post enforcement order of priority, see "Credit Structure — Security Interests and Post-Enforcement Priority of Payments" at page 210.

Security for the Notes

The obligations of the Issuer to the Noteholders in respect of the Notes and to each of the Issuer Related Parties and MSDW Bank (all of such persons or entities being, collectively, the "**Issuer Secured Parties**") will be secured by and pursuant to:

(a) a pledge governed by French law, granted in favour of the Issuer Security Trustee (acting in its own name and its capacity as a security agent), in respect of the French Units;

(b) an assignment by way of security, governed by Irish law and granted in favour of the Issuer Security Trustee, in respect of the Irish Notes; and

(c) a pledge, governed by Belgian law, granted in favour of the Issuer Security Trustee (acting in its own name and its capacity as a security agent), in respect of the Belgian Bonds;

(d) a deed of charge and assignment (the "**Issuer Deed of Charge and Assignment**") governed by English law between, among others, the Issuer and the Issuer Security Trustee, pursuant to which the Issuer will:

(i) assign by way of security all its rights, title and interest in, to and under the transaction documents into which it enters in connection with the issue of the Notes other than in respect of those transaction documents governed by laws other than English law; and

(ii) assign by way of security all its rights, title and interest in and to and the benefit of the Issuer Transaction Account, the Issuer Deposit Account, the Swap Collateral Cash Account the Swap Collateral Custody Account and the Stand-by Account, the amounts from time to time standing to the credit of each such account and the debts represented thereby;

(iii) assign by way of security all of its rights, title and interest in, to and under any Eligible Investments of the Issuer; and

(iv) grant a floating charge over all its other property, assets and undertaking from time to time other than any of the property, assets and undertaking of the Issuer effectively secured pursuant to laws other than English law.

Additional security interests securing the Notes and governed by laws other than English law may be granted by the Issuer, if the nature or location of the relevant assets require that the relevant security interests be governed by the laws of another jurisdiction. The security interests granted by the Issuer in respect of and in connection with the Notes are together referred to as the "**Issuer Security**". Each element of the Issuer Security is intended to have first priority ranking.

Upon enforcement of the Issuer Security, the amounts payable to the Issuer Secured Parties (other than the Noteholders) will, with certain limited exceptions, rank higher in priority to payments of interest or principal on the Notes.

Upon enforcement of the Issuer Security, all amounts owing to the Class B Noteholders will rank after all payments on the Class A Notes, all amounts owing to the Class C Noteholders will rank after all payments on the Class B Notes, all amounts owing to the Class D Noteholders will rank after all payments on the Class C Notes, all amounts owing to the Class E Noteholders will rank after all payments on the Class D Notes and all amounts owing to the Class F Noteholders will rank after all payments on the Class E Notes.

If the net proceeds of realisation of, or enforcement with respect to, the Issuer Security are not sufficient to make all payments due in respect of the Notes, the other assets (if any) of the Issuer will not be available for payment of any shortfall arising therefrom (which shortfall will be borne in accordance with the provisions of the Issuer Deed of Charge and Assignment). All claims in respect of such shortfall, after realisation of or enforcement with respect to all of the Issuer Security, will be extinguished and the Note Trustee, the Issuer Security Trustee, the Noteholders and the other Issuer Secured Parties will have no further claim against the Issuer in respect of such unpaid amounts. Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that it is fully aware that, except as set out above, (a) in the event of an enforcement of the Issuer Security, its right to obtain payment of interest and repayment of principal on the Notes is limited to recourse against the assets of the Issuer comprised in the Issuer Security, (b) the Issuer will have duly and entirely fulfilled its repayment obligation by making available to the Noteholder its relevant proportion of the proceeds of realisation of, or enforcement with respect to, the Issuer Security in accordance with the Issuer Deed of Charge and Assignment and other security agreements entered into by the Issuer in respect of the Notes, and all claims in respect of such shortfall will be extinguished, and (c) if a shortfall in the amount owing in respect of principal of the Notes of any Class exists on the Note Maturity Date of any class, after payment on the Note Maturity Date of all other claims ranking higher in priority to the Notes or the relevant class of Notes and after the realisation by the Issuer of all assets the subject of or forming the Issuer Security, and the Issuer Security has not become enforceable as at the Note Maturity Date, the liability of the Issuer to make any payment in respect of such shortfall will

cease and all claims in respect of such shortfall will be extinguished.

RISK FACTORS

The following is a summary of certain issues of which prospective Noteholders should be aware, but it is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision. Some of the issues set out in this section are mitigated by certain representations and warranties which MSDW Bank will provide in each Asset Transfer Agreement in relation to the Originated Assets, the Properties and other associated matters (for further information, see "Sale of Originated Assets — Representations and Warranties" at page 132).

Factors Relating to the Originated Assets

Default by Borrowers

The ability of the Issuer to meet its obligations under the Notes will be dependent on the receipt by it of funds from the Belgian Issuer, the French Issuer and the Irish Issuer in respect of the Issuer Assets and, in turn, on the receipt by the Belgian Issuer of funds from the Belgian Property Owning Companies under the Belgian Intra-Group Loans, by the French Issuer of funds from the French Borrowers under the French Loan Agreements and by the Irish Issuer of funds from the Irish Borrowers under the Irish Loan Agreements. The Issuer's ability to meet its payment obligations under the Notes will also be dependent on payments from the Swap Provider under the Swap Agreement and, where necessary and applicable, the availability of drawings under the Liquidity Facility Agreement. The ability of the French Issuer and the Irish Issuer to meet their respective payment obligations under the relevant Issuer Assets may also be dependent upon the availability of Indirect Expense Drawings to each of them, to cover the costs of enforcing the relevant Originated Assets. If, on a default in respect of the Issuer Assets or Originated Assets and following the exercise of all available remedies in respect of the Issuer Assets and the Originated Assets, the Issuer does not receive all amounts owing in respect of the Issuer Assets, then Noteholders (or the holders of certain classes of Notes) may receive by way of principal repayment an amount less than the face value of their Notes and the Issuer may be unable to pay in full interest due on the Notes or certain classes of the Notes. The Issuer does not guarantee or warrant full and timely payment of any sums owing in respect of the Issuer Assets or the Originated Assets.

Each Loan is secured, in whole or in part, over commercial property. Lending against the security of commercial property is generally perceived to expose lenders to a greater risk of loss than lending against the security of residential property. Prospective Noteholders should be aware that each Borrower (other than the Borrowers of the Irish Loans) is a special purpose vehicle with limited access to capital beyond the net operating or rental income generated by the commercial property it owns or, in the case of the Belgian Issuer the net operating or rental income generated by the commercial properties owned by the Belgian Property Owning Companies. Such cash-flow may be reduced, for example, upon termination of a lease (whether by effluxion of time or upon a default by the tenant), if a lease is not renewed or replaced or if operating expenses incurred by the property owner increase beyond those anticipated by the property owner. Such cash-flow may also be reduced if capital expenditure is required to maintain or improve the property in order to comply with obligations to tenants, or to attract new tenants. In any of these circumstances, the relevant Borrower's ability to make payments of interest and principal in respect of its Loan may be impaired.

Each French Borrower was incorporated as a single purpose company with the sole purpose of acquiring a Property and raising debt to fund that acquisition, such debt to be secured against the relevant Property. The Belgian Issuer is a single purpose company incorporated to raise debt to on-lend to the Belgian Property Owning Companies. The Belgian Property Owning Companies were not originally incorporated as single purpose, property-owning vehicles. Prior to the issuance of the Belgian Bonds, detailed financial due diligence in respect of the Belgian Property Owning Companies was undertaken on behalf of the Originator in order to determine whether such companies were subject to any actual or contingent liabilities other than those arising in relation to their ownership of the Belgian Properties. This due diligence did not reveal the existence of any material liabilities other than those arising in relation to the Belgian Property Owning Companies' ownership of the Belgian Properties. The corporate and constitutional documents of the Belgian Property Companies were amended prior to the issuance of the Belgian Bonds to make the provisions thereof consistent with the limitations on corporate activity ordinarily associated with Belgian special purpose vehicles, and the Belgian Property Owning Companies have given various positive and negative covenants to the Belgian Security Agent and the holders of the Belgian Bonds, for the purpose of maintaining their status as special purpose, property owning vehicles. For further information about the Belgian Property Owning Companies, see "Risk Factors -– Insolvency of the Belgian Property Owning Companies; Enforcement of Belgian Security" at page 69 Thus, MSDW Bank satisfied itself at the time of origination of the Originated Assets that the relevant Borrower (other than the Irish Borrowers, as to which see further below), the Belgian Property Owning Companies and the Belgian Issuer had no material liabilities, actual or contingent, other than such as are formally subordinated pursuant to a binding subordination agreement, except in relation to the Property which constitutes security for

the relevant Loan. However, the ability of the Belgian Issuer and the French Borrowers to service the debt owing under the Belgian Bonds and the French Loans will be conditional upon the respective Properties generating sufficient net operating income to cover the expenses of owning and maintaining the Properties, as well as servicing the debts incurred in respect of the relevant Loans. In undertaking its assessment of a prospective borrower and a prospective loan, the Originator has regard to the fact that commercial properties must be maintained to a high standard in order to attract and retain high quality tenants, and that wherever a property is situate, maintenance must be performed in a scheduled and timely fashion in order to prevent a deterioration in the value or attractiveness of the property to tenants. In certain cases, the principal obligation to maintain a property will fall on the tenants; this is not, however, always the case; and an analysis of a borrower's ability to maintain a property, and its sources of funds to cover the costs of maintenance and capital expenditure, has been undertaken by the Originator where appropriate, prior to the origination of a loan.

The Originated Assets of the Irish Issuer are two loans to three individuals secured over the Irish Property and recourse to the Irish Borrowers is limited to the Irish Property and the revenues generated thereby. The three individuals to whom these two loans are made may, as a matter of Irish law, be deemed to operate in partnership. The individuals in question undertake business activities other than the ownership and management of the Irish Property. MSDW Bank satisfied itself, during its due diligence prior to originating these Originated Assets, of the effectiveness and enforceability of the Irish Loans and the security over the Irish Property granted in favour of the Irish Loan Security Trustee, including enforceability of the Irish Loans and the security over the Irish Property in the event of the bankruptcy of any one or more of the individuals and, if applicable, the insolvency of the partnership between the three individuals. For further information about the Irish Loans and the Irish Borrowers, see "Risk Factors – Insolvency of the Irish Borrowers" and "Certain Matters of Irish Law" at page 175 and page 197 respectively.

Each Loan Agreement in respect of the French Loans and the Irish Loans, and the terms and conditions of the Belgian Bonds, contains provisions requiring the relevant Borrower or, in the case of the Belgian Bonds, the Belgian Issuer, to make a repayment of principal on the final maturity date of the relevant Loan. None of the Loans amortises to zero by its scheduled repayment date and, therefore, a Borrower's ability to repay its Loan on final maturity will be dependent upon its ability to raise Refinancing Proceeds or Disposal Proceeds. The Belgian Issuer's ability to redeem the Belgian Bonds on their scheduled redemption date will also be dependent on the ability of the Belgian Issuer to raise Refinancing Proceeds or to require the Belgian Property Owning Companies to raise Disposal Proceeds. The ability of a Borrower to refinance a Property (or, in the case of the Belgian Issuer, the ability of the Belgian Issuer to procure that a Belgian Property Owning Company refinances a Belgian Property) will be dependent, among other things, on the willingness and ability of lenders, which typically include banks, insurance companies and finance companies, to make loans secured on the Property and, in certain cases, the Borrower's ability to enter into suitable swap arrangements in connection with such refinancing. The availability of funds in the loan markets fluctuates and there can be no assurance that funds in the amount required to refinance any particular Loan will be available to refinance that Loan on its scheduled maturity date. In addition, the availability of assets similar to a Property and competition for available credit may have a significant adverse effect on the ability of a Borrower to refinance or sell its Property. None of the Issuer, MSDW Bank, the French Issuer or the Irish Issuer is under any obligation to provide any such refinancing and there can be no assurance that the necessary Refinancing Proceeds or Disposal Proceeds would be raised.

A failure to raise the necessary Refinancing Proceeds or Disposal Proceeds may result in a Borrower defaulting under its Loan Agreement or, in the case of the Belgian Bonds, the Belgian Issuer defaulting under the terms and conditions of the Belgian Bonds. Similarly, a failure to maintain a Property and carry out capital expenditure to preserve the rental value of a Property may result in the liquidation or refinancing value of the Property being less than the amount necessary to repay the relevant Loan in full In the event of such a default, the Noteholders, or the holders of certain classes of Notes, may receive by way of principal repayment an amount less than the face value of their Notes and the Issuer may be unable to pay in full interest due on the Notes or certain classes of the Notes.

The Properties

The Loans (other than the Belgian Bonds) are fully secured by, amongst other things, mortgages over the Properties. The Belgian Bonds are secured by mortgages over the Belgian Properties, in an aggregate amount equal to 10 per cent. of the original principal amount of the Belgian Bonds and, with respect to the remaining principal amount outstanding of the Belgian Bonds, mortgage mandates (*hypothecair mandaat/mandat hypothécaire*) have been granted empowering attorneys in fact appointed by the Belgian Security Agent to execute at any time, prior to insolvency of the Belgian Property Owning Companies, further mortgages over the Belgian Properties, without the need to seek the consent of the Belgian Issuer, the Belgian Property Owning Companies, or any other third party, in an amount up to the remaining indebtedness outstanding in respect of the Belgian Bonds. The repayment of each Loan may be, and the payment of interest on each Loan is,

dependent on the ability of the applicable Property or Properties to generate cash-flow. However, the income-producing capacity of the Properties may be adversely affected by a large number of factors. Some of these factors relate specifically to a Property itself, such as: (a) the age, design and construction quality of the Property; (b) perceptions regarding the safety, convenience and attractiveness of the Property; (c) the proximity and attractiveness of competing properties; (d) the adequacy of the Property's management and maintenance; (e) an increase in the capital expenditure needed to maintain the Property or make improvements; (f) a decline in the financial condition of a major tenant; (g) a decline in rental rates as leases are renewed or entered into with new tenants; (h) the length of tenant leases and the length of any void period between tenant leases; (i) the creditworthiness of tenants; and (j) the size of the real estate market in the relevant jurisdiction and of the real estate market for the type of property in question in certain locations within that jurisdiction.

Other factors are more general in nature, such as: (a) national, regional or local economic conditions (including plant closures, industry slowdowns and unemployment rates); (b) local property conditions from time to time (such as an oversupply or under supply of retail or office space); (c) demographic factors; (d) consumer confidence; (e) consumer tastes and preferences; (f) retrospective changes in building codes or other regulatory changes; (g) changes in governmental regulations, fiscal policy, planning/zoning or tax laws; (h) potential environmental legislation or liabilities or other legal liabilities; (i) the availability of refinancing; and (j) changes in interest rate levels or yields required by investors in income-producing commercial properties.

The occupational tenancies which have been granted may contain provisions for the review of rent, however such rent review provisions do not generally provide for upward only rent reviews.

Investors should note that the Properties ultimately securing the Notes are located in three jurisdictions (Belgium, France and Ireland), and there are likely to be substantive differences between the economic conditions in each of these jurisdictions, in the local property markets, and in demographic and consumer trends in each of these jurisdictions. Furthermore, the legal and regulatory regime in each of the three jurisdictions is unique to that jurisdiction. For further information about the legal and regulatory regimes prevailing in each of these jurisdictions, see "Certain Matters of Belgian Law" at page 181; "Certain Matters of French Law" at page 160; and Certain Matters of Irish Law" at page 175.

A deterioration in the commercial property market in any of the three jurisdictions or in the financial condition of a major tenant of a Property (where a Property is partly or wholly let) will tend to have a more immediate effect on the net operating income of properties with short-term revenue sources and may lead to higher rates of delinquency or defaults.

As at the Cut-Off Date, one French Property was entirely unlet, having been the subject of redevelopments and a second French Property was partially unlet. Further, as at the Cut-Off Date, four of the Belgian Properties were partially unlet. For further information about the vacancies in the French Properties and Belgian Properties see, "The Loans and the Related Property Summaries – The French Issuer Assets – CEREP Montrouge Loan" and "The Loans and the Related Property Summaries – The Belgian Bonds" at pages 141 and 156 respectively. All other Properties securing the Belgium Bonds, the French Loans and the Irish Loans are fully let as at the date of this Offering Circular. The vacancies in respect of the French Properties and Belgian Properties may impact on the ability of the relevant Borrowers to pay interest on and repay the principal of their respective loans (though they do not do so at the date of this Offering Circular) and may also affect the liquidation or refinancing value of the relevant Properties.

A significant number of the leases granted in respect of the Belgian Properties and the French Properties either terminate before the redemption date of the Belgian Bonds or the repayment date of the relevant French Loan, or contain break clauses. In the context of these Properties, the Belgian Property Owning Companies and the relevant French Borrowers are, therefore, relying on their ability to re-let the affected Properties in the event that existing tenants decide to exercise break options, or the leases on those Properties expire by effluxion of time, in order to continue generating cash-flow from each of the affected Properties. For example, the tenant under the current French Lease in respect of the CEREP Montrouge Loan has given notice that it will exercise its break option with respect to such French Lease on 31st December, 2003. For further information about the redemption and break provisions affecting the French Properties and the Belgian Properties, see "The Loans and the Related Property Summaries – The French Issuer Assets" and "The Loans and the Related Property Summaries – The Belgian Bonds" at pages 138 and 156 respectively. Furthermore, the leases on any of the Properties may terminate earlier than the contractual expiry date of the relevant lease if the tenant surrenders the lease or defaults under the lease. The ability of a Borrower or a Belgian Property Owning Company to relet its Property, and the rents achieved on the re-letting, will be dependent on the macro-economic and local economic conditions prevailing at the time of re-letting, as well as the condition of the affected Properties and the availability of alternative properties to prospective tenants.

There can be no assurance that leases on terms (including gross rents and service charges payable, and covenants of the landlord and tenant) equivalent to the leases on the Properties as at the Closing Date will be achievable in the future, that market practices in the jurisdictions in which the Properties are located will not have changed, or that changes in law in the relevant jurisdictions will not limit the terms of leases in respect of any Property which is entered into after the Closing Date. Equally, there can be no assurance that the Borrowers or the Belgian Property Owning Companies, or the sponsors of any of the foregoing, will be able to attract tenants of comparable credit quality to the Properties in the event that leases expire or are terminated. There can also be no assurance that the credit quality of the tenants of the Properties as at the Closing Date will not deteriorate over time.

The terms of the tenancies might affect the realisable value of the Properties. Certain of the Loan Agreements provide that no lease may be granted by the Borrower thereunder (or an affiliate of the Borrower) without the Lender's consent. As regards the Belgian Bonds, any material developments with respect to the leases of the Belgian Properties must be notified to the Belgian Security Agent, and pursuant to the articles of association of each of the Belgian Property Owning Companies, the Independent Manager (who is appointed by the Belgian Security Agent) must approve, among other things, the granting of new leases. Granting or assigning a lease to any other entity is otherwise unrestricted. The terms of the Belgian Bonds and each Loan Agreement also provide that a lease granted during the term of that Loan Agreement in respect of the Property financed by that Loan Agreement should be granted on normal commercial terms.

19.5 per cent. (by aggregate outstanding principal balance of the Loans as at the Cut-Off Date) of the Originated Assets are represented by the Belgian Bonds secured on Belgian commercial property; 62.4 per cent (by aggregate outstanding principal balance of the Loans as at the Cut-Off Date) of the Originated Assets are represented by Loans secured on French commercial property; and 18.1 per cent. (by aggregate outstanding principal balance of the Loans as at the Cut-Off Date) of the Originated Assets are represented by Loans secured on the Irish Property.

Any one or more of the factors above described could operate to have an adverse effect on the income derived from, or able to be generated by, a particular Property, which could in turn cause the relevant Borrower to default on its Loan, or impair the ability of a Borrower to refinance its Loan or sell its Property and may result in the liquidation value or refinancing value of the Property being less than the amount required to repay the Loan advanced against such Property. In the case of the Belgian Issuer, any one or more of the factors described above could cause a default on the Belgian Bonds, or impair the ability of the Belgian Issuer to refinance the Belgian Bonds, or to require a sale of the Belgian Properties and may result in the liquidation value or refinancing value of the Belgian Properties being less than the amount required to repay the amount advanced under the Belgian Bonds.

The Tenants

A Borrower's ability to make its payments under its Loan Agreement and the Belgian Issuer's ability to make payments on the Belgian Bonds will be substantially dependent on payments being made by the tenants of the relevant Property. Where a Borrower or a Belgian Property Owning Company as landlord is in default of its obligations under a tenancy, a right of set-off could, with certain limitations (in particular, if such Borrower or Belgian Property Owning Company is insolvent), be exercised by a tenant of the relevant Property in respect of its rental obligations. The terms of many of the tenancies, however, specifically exclude such tenants' right of set-off. In respect of a multi-tenanted Property, a Borrower or a Belgian Property Owning Company would normally be obliged to provide services in respect of the relevant Property irrespective of whether certain parts of the relevant Property are unlet. The Borrower or Belgian Property Owning Company in its capacity as landlord, in such circumstances, would have to meet any shortfall in recovering the costs of the services or risk the tenants exercising any right of set-off. Tenants' rights of set-off and similar rights or equities, which will accrue until such time as the Belgian Security Agent, the French Issuer (or the French Issuer Management Company on its behalf) or the Irish Loan Security Trustee, as applicable, enforces its security over the affected Property, will also be binding on the Belgian Security Agent, the French Issuer (or the French Issuer Management Company on its behalf) or the Irish Loan Security Trustee, as applicable, as mortgagee following the Closing Date.

In order to ensure that it receives rent payments from the tenants, MSDW Bank has structured the Loan Agreements and the Belgian Bonds so that, except as described below, rent payments are required to be made directly by the tenants to a French Property Manager Account, a French Borrower Account, the Irish Rent Account or a Belgian Rent Account, as applicable (collectively, the "**Borrower Accounts**" and each a "**Borrower Account**"). Prior to the Closing Date, the Borrower Accounts are pledged or charged (as applicable) to MSDW Bank, in the case of the French Loans, to the Belgian Security Agent, in the case of the Belgian Bonds or to the Irish Loan Security Trustee, in the case of Irish Loans. With effect from the Closing Date, the Borrower Accounts in respect of the French Loans will be secured in favour of the French Issuer and

any claims of MSDW Bank to amounts standing to the credit of those accounts will automatically be discharged. Each Borrower and each Belgian Property Owning Company has agreed not to countermand or vary the instructions to its tenants as to the Borrower Account to which its rent receipts should be credited. Save as described below, tenants have been notified that payments are to be made into a Borrower Account pledged or charged in favour of MSDW Bank (subject to substitution of accounts in the name of the French Issuer, as described above), or in favour of the Belgian Security Agent or the Irish Loan Security Trustee, as applicable.

For commercial reasons, where an independent managing agent is appointed in respect of a Property, tenants may not be advised of the existence of the Borrower Accounts, and MSDW Bank relies upon such managing agent to collect rents and ensure that they are credited to the applicable Borrower Accounts. A managing agent has been appointed in respect of certain of the French Properties, the Irish Property and the Belgian Properties. In the case of the Irish Property, the tenants have been given notice of the security granted in respect of the Irish Rent Account in favour of the Irish Loan Security Trustee. In the case of the Belgian Properties, the tenants have not been notified of the security over the Belgian Rent Accounts. However, the absence of such notifications does not impact the validity and effectiveness of such security (except *vis-à-vis* the tenants).

Any one or more of the factors described above could operate to have an adverse effect on the amount of income derived from a Property or the income capable of being generated from that Property, which could in turn cause the Borrower in respect of such Property to default under its Loan Agreement, impair the ability of a Borrower to refinance its Loan or sell its Property and may result in the liquidation value or refinancing value of the Property being less than the amount necessary to repay the relevant Loan in full. In the case of the Belgian Bonds, any one or more of the factors described above could cause the Belgian Issuer to default on the Belgian Bonds, or could impair the ability of the Belgian Issuer to refinance the Belgian Bonds or the ability of the Belgian Property Owing Companies to sell the Belgian Properties and may result in the liquidation or refinancing value of the Belgian Properties being less than the amount necessary to repay the Belgian Bonds in full.

Insurance

Each Loan Agreement in respect of the French Loans and the Irish Loans, and the terms and conditions of the Belgian Bonds, contain provisions requiring the relevant Borrower, to insure or in the case of the Belgian Issuer to procure the insurance of their respective Properties against the risk of damage or destruction, third party liabilities, acts of terrorism and such other risks as a prudent owner of similar properties would insure against including insurance against loss of rent (in most cases for a period of three years).

Each of the French Borrowers has granted an assignment (*délégation imparfaite* or *cession Dailly*) of their rights against the insurance companies for all amounts which are or may become due under the insurance policies taken out by the relevant French Borrower in respect of the relevant French Property; each of the Irish Borrowers has granted a first fixed charge over all its right, title and interest in the insurance policies relating to the Irish Property; and the Belgian Issuer has granted a pledge over all its rights under all relevant insurance policies. Such grants of security are required by the relevant loan documentation to be updated from time to time as necessary.

A failure by any of the Borrowers or the Belgian Issuer to keep the relevant insurance policies current in respect of a relevant Property may, on the occurrence of any damage to such Property or loss of rent thereon, which would otherwise have been recoverable under such insurance policy, result in a corresponding loss in the value of such Property or payment recovery under the corresponding Loan. Similarly, even where the relevant insurance policy is current, there could be an administrative delay in obtaining payment by the Borrowers from the insurers which could affect the ability of the Borrowers to meet their respective payment obligations during that period of delay.

Certain types of risks and losses (such a losses resulting from war, terrorism, nuclear radiation, radioactive contamination and heaving or settling of structures) may be or become either uninsurable or not economically insurable or are not covered by the required insurance policies. Other risks might become uninsurable (or not economically insurable) in the future. If an uninsured or uninsurable loss were to occur, the Borrowers or the Belgian Issuer might not have sufficient funds to repay in full all amounts owing under or in respect of the relevant Loan Agreement or the Belgian Bonds.

Valuations

The Origination Valuations in respect of the Properties have been provided by a number of independent qualified firms. The Origination Valuations express the professional opinion of the relevant valuers on the

relevant Property and are not guarantees of present or future value in respect of such Property. One valuer may, in respect of any Property, reach a different conclusion than the conclusion in relation to a particular Property that would be reached if a different valuer were appraising such Property. Moreover, valuations seek to establish the amount that a typically motivated buyer would pay a typically motivated seller and, in certain cases, may have taken into consideration the purchase price paid by the existing property owner. There can be no assurance that the market value of the Property will continue to equal or exceed the valuation contained in the relevant valuation report. If the market value of a Property fluctuates, there can be no assurance that the market value will be equal to or greater than the unpaid principal and accrued interest on the Loan made in respect of such Property and any other amounts due under the relevant Loan Agreement. If the Property is sold following an event of default in respect of a Loan, there can be no assurance that the net proceeds of such sale will be sufficient to pay in full all amounts due in respect of the relevant Loan.

For further information regarding the Origination Valuations of each of the Properties please see the CD-ROM distributed contemporaneously with this Offering Circular and the section entitled "CD-ROM Disclaimer" at page 270.

Compulsory Purchase and Expropriation of Properties

Any property in France, Ireland or Belgium may at any time be compulsorily acquired by, among others, a local or public authority or a governmental department on public interest grounds, for example, a proposed redevelopment or infrastructure project. No such compulsory purchase proposals were, however, revealed in the course of the due diligence undertaken by MSDW Bank at the time of the origination of the Originated Assets.

Each of France, Ireland and Belgium has its own legal rules relating to compulsory purchase of property, providing a process pursuant to which a compulsory purchase of property may occur. Under the legal rules of each jurisdiction, the owners and occupiers of a property subject to a compulsory purchase proposal will be entitled to receive a market value based price for the property. In the context of the Properties, there can be no assurance, however, that the compulsory purchase price would be equal to the amount or portion of the Loan secured upon such Property or that the compulsory purchase price would be paid prior to the scheduled maturity date of the Loan. This could undermine the ability of the affected Borrower to repay the principal (or its portion of the principal) of the relevant Loan. Moreover, under the legal rules of each jurisdiction, a compulsory purchase order in respect of a property would have the effect of releasing the tenants thereof from their obligations to pay rent. In the context of the Properties, this could undermine the ability of a Borrower to pay interest on the relevant Loan or its portion of the relevant Loan.

In the case of each of Belgium, France and Ireland, there is often a delay between the compulsory purchase of a property and the payment of compensation, the length of which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the market value of the affected property, or other means of determining the amount of compensation payable upon a compulsory purchase. Should such a delay occur in the case of a Property, then, unless the affected Borrower has other funds available to it, an event of default may occur under the affected Loan Agreement or the Belgian Bonds, as applicable. Following the payment of compensation, the affected Borrower will be required to prepay all or such part of the amounts owing by it under the affected Loan Agreement or the Belgian Bonds, as applicable, as is equivalent to the compensation payment received. The proceeds of any such prepayment will be paid, ultimately, to the Issuer and will be applied by the Issuer to redeem the Notes (or part thereof).

Force Majeure and Similar Matters

The laws of each of France, Ireland and Belgium recognise the doctrine of *force majeure*, permitting a party to a contractual obligation to be freed from it upon the occurrence of an event which renders impossible the performance of such contractual obligation. There can be no assurance that the tenants of Properties will not be subject to a *force majeure* event leading to their being freed from their obligations under their leases. This could undermine the generation of Rental Income and hence the ability of the relevant Borrower to pay interest on or repay the principal of the relevant Loan or its portion of the relevant Loan.

Risks Relating to Planning

The laws of each of France, Ireland and Belgium impose regulations that buildings comply with local planning requirements. Violation of local planning regulations can have consequences such as the imposition of a fine on the owner of the relevant building, a requirement that alterations are made to the relevant building or, in certain circumstances, the demolition of the relevant building. The due diligence undertaken at the time the Loans were originated did not reveal, in the case of any of the Properties, any material non-compliance with

local planning requirements. However, such due diligence was based on a documentary review rather than a detailed physical examination of the Properties to ensure compliance.

In France and Belgium, a local planning authority may have a pre-emption right in the event of a property in its area being sold. Such a right would impact on the price at which a property could be sold. The due diligence undertaken at the time the relevant Loans were originated did not reveal the existence of any such right in respect of the Properties securing the French Loans and the Belgian Bonds.

Statutory Rights of Tenants

In certain circumstances, a tenant of a property may have legal rights enforceable against its landlord that may delay the payment of rent, or reduce the amount of rent payable, to the landlord. These rights vary, to some extent, between Belgium, France and Ireland and so each jurisdiction is dealt with in turn.

Belgium

A number of statutory or contractual rights of tenants may affect the net cash-flow realisable from the Belgian Properties or cause delay in payment of the rental income.

Such rights may include in particular the following:

(a) where a Belgian Property Owning Company, as landlord, is in default of its obligations under a lease of its Belgian Property, the tenant may have the right under general principles of Belgian law (*exception d'inexécution*) to withhold its rental payments until the default is cured or refrain from performing its other obligations under its lease;

(b) a legal right of set-off (*droit de compensation légale*) could be exercised by a tenant of Belgian Property in respect of its rental obligations under the relevant lease if a reciprocal debt is owed to this tenant by the landlord in its capacity as landlord or otherwise;

(c) Belgian courts may in some circumstances grant a tenant acting in good faith a limited grace period in respect of its obligations to pay rent (under article 1244 of the Belgian *Code Civil*), thus overriding any express provision of the affected lease to the contrary;

(d) a tenant under a commercial lease may upon non-renewal of the lease, in certain circumstances, claim compensation from the landlord for eviction (for further information about this, see "Certain matters of Belgian law – Commercial Leases" at page 190); and

(e) the terms of a commercial lease may grant the tenant a pre-emption right exerciseable in the event of a proposed sale of the property. In the case of each of Beta Invest S.P.R.L. (Guimard building) and Centrum Invest S.P.R.L., one tenant of the applicable Belgian Property benefits from such a pre-emption right in respect of that Belgian Property.

The exercise of any such rights may affect the ability of the Belgian Issuer to meet its obligations under the Belgian Bonds. Consequently, the Noteholders, and in particular the holders of junior-ranking Notes, may not receive repayment in full of such Notes, and the Issuer may be unable to pay in full the interest due on all classes of the Notes.

France

A number of statutory rights of tenants may affect the net cash-flow realised from the French Properties or cause delay in the payment of the rental income.

Such rights may include in particular the following:

(a) where a French Borrower, as landlord, is in default of its obligations under a lease granted in respect of its French Property, the tenant may have the right under general principles of French law (*principe d'exception d'inexécution*) to withhold its rental payments until the default is cured or refrain from performing its other obligations thereunder;

(b) a legal right of set-off (*droit de compensation légale*) could be exercised by a tenant of a French Property in respect of its rental obligations under the relevant lease if a reciprocal debt is owed to this tenant by the French Borrower as landlord or otherwise;

(c) French courts may in some circumstances grant time to the tenants in respect of their payment obligations under the leases in respect of the French Properties, taking into account their financial standing and the needs of the French Borrowers as landlord or may reschedule the debt of the tenants (though in both cases not for a period in excess of two years), treating the extension of time as a matter of procedural law governed by Articles 1244-1, 1244-2 and 1244-3 of the French *Code civil*, thus overriding any provision of the French Leases to the contrary; and

(d) a tenant who owns a going-concern (*fonds de commerce*) which has been legitimately carried out in a French Property for the three years preceding the expiry of its lease acquires a protected leasehold right, subject to certain other conditions, and is entitled to the renewal of that lease (*droit au renouvellement*) upon its expiry or to compensation for eviction (*indemnité d'éviction*) should the landlord elect not to renew that lease. The compensation for eviction must compensate the tenant for any losses and costs incurred by it. Compensation is not payable, however, if the tenant is in serious breach of its obligations under the lease. The tenants under the leases of the French Properties do not, as at the date of this Offering Circular, have any pre-emption/renewal rights of the type described above.

The exercise of any such rights, where available, may affect the ability of a French Borrower to meet its obligations under its French Loan Agreement, which in turn may result in the receipt by the French Issuer of an amount that is less than the principal amount outstanding under the affected French Loan Agreement and the full interest payable thereon. This will, in turn, result in a lower than expected principal repayment being made on the French Units and a reduction in the amount of interest paid. Consequently, the Noteholders, and in particular the holders of junior-ranking Notes, may not receive repayment in full of such Notes, and the Issuer may be unable to pay in full the interest due on all classes of the Notes.

Ireland

In certain limited circumstances, tenants of a property may have legal rights to require the landlord of that property to grant them tenancies, pursuant to the Landlord and Tenant Acts, 1967-1994. Should such a right arise, the landlord may not have his normal freedom to negotiate the terms of the new tenancies with the tenant, such terms being imposed by the Irish court as being the same as those under the previous tenancy of the relevant premises. While it is the general practice of the Irish courts in renewals under the Landlord and Tenant Act, 1980 to grant a new tenancy on similar terms to the expiring tenancy, the basic annual rent will be adjusted in line with the market rents at the relevant time and there can be no guarantee as to the terms on which any such new tenancy will be granted.

The exercise of any such rights may affect the ability of the Irish Borrowers to meet their obligations under the Irish Loan Agreements, which in turn may result in the receipt by the Irish Issuer of an amount that is less than the principal amount outstanding under the relevant Irish Loan Agreement and the full interest payable thereon. This will, in turn, result in a lower than expected principal repayment being made on the Irish Notes and a reduction in the amount of interest paid. Consequently, the Noteholders, and in particular the holders of junior-ranking Notes, may not receive repayment in full of such Notes, and the Issuer may be unable to pay in full the interest due on all classes of Notes.

Property Owners' Liability to Provide Services

Occupational tenancies will usually contain provisions for the relevant tenant to make a contribution towards the cost of maintaining common areas calculated with reference, among other things, to the size of the premises demised by the relevant tenancy and the amount of use which such tenant is reasonably likely to make of the common areas. The contribution forms part of the service charge payable to the landlord (in addition to the principal rent) in accordance with the terms of the relevant tenancy.

The liability of the landlord in each case to provide the relevant services is, however, not always conditional upon all such contributions being made and consequently any failure by any tenant to pay the service charge contribution on the due date or at all would oblige the landlord to make good the shortfall from its own monies. The landlord would also need to pay from its own monies service charge contributions in respect of any vacant units and seek to recover any shortfall from the defaulting tenant using any or all of the remedies that the landlord has under the lease to recover outstanding sums.

Environmental Risks

Belgium

All buildings in Belgium have to comply with regulations on fire protection. An analysis of compliance with relevant fire regulations is included in the procedure undertaken prior to issuance of a building permit: a

building permit can in fact only be delivered by a local authority if the building or proposed building complies with safety rules on fire protection.

No classified environmental facility is being operated in the Belgian Properties so in principle no environmental permits are required.

The Belgian legislation on asbestos is set forth in the General Regulation on Work Protection (*Algemeen Reglement op de Arbeidsbescherming*/*Règlement Général sur la Protection du Travail* (ARAB/RGPT)). The main obligations provided for in this regulation, such as the obligation to draft an inventory of all asbestos and materials containing asbestos in the building and to draft a programme to handle the presence of asbestos, rest upon the occupier and not the owner of the building, and, therefore, should not apply to the Belgian Property Owning Companies.

With respect to all offices situated in the Flanders Region, the transfer of any rights in a building is subject to obtaining a soil certificate and, if relevant, an orientating or descriptive soil investigation by the environmental authorities in accordance with the Flemish Statute on Soil Clean-up dated 22nd February, 1995. In the Brussels Region, currently no specific regulation on soil pollution or decontamination has been implemented so far. Similarly, the Walloon Region does not currently have specific legislation on soil pollution and decontamination other than provisions pertaining to petrol stations. However, both Brussels and Walloon Regions may implement specific legislation to this effect at some point in the future which could, once implemented, affect the liabilities with respect to the Belgian Properties.

France

As regards the French Properties, the environmental and occupational health and safety obligations and liabilities of landlords under the applicable French laws and regulations include the following:

(a) landlords have no direct obligations as regards land investigation and monitoring but must inform a potential purchaser, (i) if authorised installations under Articles L. 511-1 *et seq* of the French Environmental Code have been operated on the site and if so, (ii) about any environmental damage that these activities might have generated for so long as this damage is known to the landlord. Responsibilities with respect to land investigation and monitoring lie with the operator of the regulated installations located thereon. However, in certain circumstances, a landlord may be required to clean up a polluted site if the operator is insolvent or does not exist anymore. It is now customary, but not mandatory, for landlords to assess the environmental conditions of the land in order to determine whether past activities are likely to have been the source of environmental conditions which may eventually require soil and/or groundwater investigation, monitoring and clean-up.

A "phase 1" investigation was conducted in respect of each of the French Properties prior to origination of the related French Loan, and included observations based on a site visit of each French Property and the interpretation of information. The reports issued by reputable environmental consulting entities concluded that the previous occupation of the applicable site did not involve polluting activities such as the storage of petroleum products. Likewise, the reports indicate that no registered installations (i.e., environmentally hazardous activities) have reportedly been located on the site itself or in its vicinity. As a consequence, based on the documentation provided and on applicable laws and regulations governing soil and groundwater investigation, monitoring and cleanup issues, the risk of the French Borrowers being required by competent authorities to carry out any of the foregoing measures appears to be minimal.

(b) domestic laws further require that the French Borrowers, as the owners of the French Properties, check the premises for the presence of asbestos-containing materials ("**ACMs**"). The owner must also draft and update an "asbestos technical file" recording (i) the location of ACMs, (ii) the state of preservation of these ACMs, and (iii) the works undertaken on these ACMs.

An ACMs investigation was carried out in respect of each of the French Properties prior to origination of the French Loans by a certified investigator, in order to assess the presence of such materials in asbestos-cement, heat insulation materials and double-ceilings. The investigations carried out on the French Properties were disclosed in reports confirming the absence or the presence of asbestos, as the case may be. With regard to the French Loan to SNC Parc des Corvettes, two asbestos reports dated 13th February, 1998 and 21st August, 2002 revealed, respectively, the absence of asbestos in the relevant property and the presence of asbestos in fluid and thermal insulation. With regard to the French Loan to CEREP Montrouge 1 and CEREP Montrouge 2, an asbestos report concerning the Barbès Property dated 12th February, 2002 confirmed the absence of asbestos, except in an exit ramp at the third basement level, and an asbestos report concerning the De Gaulle Property dated 11th

February, 2002 confirmed the absence of asbestos, except in the cement in certain parts of the De Gaulle Property. With regard to French Loan to SNC Josas, a report has been provided, confirming the presence of asbestos in certain places (boiler room and flagstones) and confirming the absence of asbestos in the rest of the Property. With regard to the French Loan to the First Principal Borrower, a report has been provided confirming the absence of asbestos in the relevant French Property. With respect to the French Loan to the Second Principal Borrower, an asbestos report dated 19th February, 2003, revealed that certain parts of that French Property contained asbestos. In all cases, however, the levels of asbestos found to be present at the relevant French Properties were within the limits permitted by the applicable French laws.

(c) standard sanitary and occupational health practices now require that water cooling and heating systems be checked for the presence of *legionella* (the aerobic bacteria causing legionnaire's disease – a form of pulmonary infection). Based on an acknowledged testing standard (NFT 90-431), sensitive locations at certain of the French Properties were tested prior to origination of the relevant French Loan by a reputable facilities management consulting company. With regard to the French Loans to SNC Parc des Corvettes, SNC Josas, the First Principal Borrower and the Second Principal Borrower, no *legionella* report was delivered as neither French Property fell within the scope of the French *legionella* regulations, which fact was declared and represented by the relevant French Borrower under the applicable French Loan Agreement. With regard to the French Loan to CEREP Montrouge 1 and CEREP Montrouge 2, a report dated 28th July, 2002 confirms that the air conditioning apparatus serving the ground of the property is not at risk of *legionella*.

If an environmental liability arises in relation to a French Property and is not remedied, or is not capable of being remedied, this may result in an inability to let such French Property, either at all or at full market rent, or to sell such French Property, or in a reduction in the price obtainable on sale of such French Property and consequently may result in a shortfall in, and/or in delays in, the payment of principal and interest due on the relevant French Loan. This, in turn, will result in a reduction in the payments of principal and interest made on the French Units and, correspondingly, a reduction in the amounts available to the Issuer to fund payments of principal and interest due on the Notes. In particular, the holders of junior-ranking Notes may not receive repayment in full of such Notes, and the Issuer may be unable to pay in full the interest due on all classes of Notes. Prior to the enforcement of a mortgage, the mortgagee who benefits from a mortgage over a contaminated French Property will not be found liable for any costs attached to the cleaning-up of such property. Upon foreclosure, since under French law, properties are usually sold by the Court at a public auction and the mortgagee is repaid out of the sale price, the mortgagee does not take possession of the French Property, save in certain limited circumstances. As a result, case law has not yet imposed any liability on a mortgagee for any decontamination cost.

Ireland

An owner or occupier of land in Ireland may be held liable for clean-up costs arising out of environmental damage in circumstances where the owner or occupier is found to have caused or permitted the pollution to occur. The liability arises under Irish waste, water and air pollution legislation. There is no specific contaminated land legislation in Ireland. The key element in establishing liability in an environmental context is "control". An owner or occupier of land may be held liable for pre-existing and future contamination which occurs whilst the property is in the control of the owner or occupier. The term "owner" would include anyone with a proprietary interest in the property. Even if more than one person is responsible for the contamination, any person who comes within the relevant environmental legislative provision may be held jointly and severally liable for all the cleanup costs involved. The "polluter pays" principle applies under Irish law and recently the Irish High Court lifted the corporate veil to impose liability for clean-up costs on the directors of a company which caused or knowingly permitted environmental pollution.

If any environmental liability were to exist in respect of the Irish Property, none of the Irish Issuer, the Irish Loan Security Trustee, the Irish Issuer Security Trustee nor the Issuer Security Trustee should incur responsibility for such liability prior to enforcement of the relevant Irish Loan and the Irish Related Security, unless it can be established that the Irish Issuer, the Irish Loan Security Trustee, the Irish Issuer Security Trustee or the Issuer Security Trustee (or the Irish Issuer Servicer on behalf of the Irish Loan Security Trustee and/or the Issuer Security Trustee) had entered into possession of the affected property or could be said to be in control of the affected property. Again, control is the key element. After enforcement, the Irish Loan Security Trustee or the Irish Issuer Security Trustee, if deemed to be a mortgagee in possession, or a receiver appointed on behalf of the Irish Loan Security Trustee or the Irish Issuer Security Trustee, could become responsible for environmental liabilities in respect of the Irish Property.

If an environmental liability arises in relation to the Irish Property and is not remedied, or is not capable of being remedied, this may result in an inability to let the Irish Property, either at all or at full market rent, or to

sell the Irish Property, or in a reduction in the price obtainable on sale of the Irish Property and consequently may result in a shortfall in, and/or in delays in, the payment of principal and interest due on the Irish Loans. This, in turn, will result in a reduction in the payments of principal and interest made on the Irish Notes and, correspondingly, a reduction in the amounts available to the Issuer to fund payments of principal and interest due on the Notes. In particular, the holders of junior-ranking Notes may not receive repayment in full of such Notes, and the Issuer may be unable to pay in full the interest due on all classes of Notes. In addition, under the waste management legislation, a holder of waste (such as contaminated land) may not transfer title in the waste to an unauthorised person. In this regard, whilst the property may have been sold, the vendor may retain legal title to the contamination which occurred whilst the property was in its control. It may therefore be necessary to incur the cost of remedying the environmental problem prior to sale.

Third parties may sue a current or previous owner, occupier or operator of the site for damages and costs resulting from substances emanating from that site, and the presence of substances on the Irish Property, could result in personal injury or a similar claim by private plaintiffs. Such claims might be grounded in negligence, nuisance, trespass to land and trespass to the person.

Given the nature of the Irish Property, no environmental due diligence was undertaken in relation to such Property at the time of origination of the Irish Loans.

Property Expenses

Maintaining the value of the Properties is dependent, to some extent, on undertaking periodic capital expenditure in respect thereof. In the ordinary course of events, the Borrowers or the Belgian Property Owning Companies, as the case may be, will fund such capital expenditure out of cash-flow available to them. Such capital expenditure may be required, however, following the occurrence of an event of default in respect of a Loan. In this scenario, it is unlikely that the Borrowers or the Belgian Property Owning Companies, as the case may be, would be able to fund such capital expenditure out of cash-flow available to them. While each of the Originated Asset Servicers may, in this scenario, fund such capital expenditure from their own resources, they are not obliged to do so. In the event that the necessary capital expenditure is not undertaken, this could lead to a diminution in the value of the relevant Property, impacting on the liquidation or refinancing value thereof. The possibility of such diminution in value would be heightened in the event that the enforcement proceedings following an event of default in respect of a Loan are protracted.

Appointment of Substitute Originated Asset Servicer

For a termination of the appointment of an Originated Asset Servicer under a Servicing Agreement to be effective, a substitute servicer must have been appointed. There is no guarantee that a substitute servicer could be found who would be willing to service the relevant Originated Assets at a commercially reasonable fee, or at all, on the terms of the applicable Servicing Agreement. Furthermore, French law imposes restrictions on the identity of persons who may act as servicer of an FCC (such as the French Issuer). In any event, the ability of such substitute servicer to perform the required services fully would depend on the information and records then available to it, as well as its own experience in servicing similar assets.

Appointment of Substitute Collateral Manager

The termination of the appointment of the Collateral Manager under the Collateral Management Agreement will not be effective until a substitute collateral manager has been appointed. There is no guarantee that a substitute collateral manager could be found who would be willing to perform the collateral management functions specified in the Collateral Management Agreement, including the giving of directions to the Belgian Security Agent and each of the Originated Asset Servicers, at a commercially reasonable fee or at all. The fact that the Originated Assets that support the payments on the Notes are located in, or comprise rights against persons located in, three different jurisdictions, each of which has a legal system unique to that jurisdiction, may reduce the number of persons available with the appropriate experience and expertise to perform effectively as the collateral manager in accordance with the terms set out in the Collateral Management Agreement.

Impact of Work-out Fee and Liquidation Fee

The payment of a Work-out Fee or a Liquidation Fee to the Special Collateral Manager will reduce the amount available to the Issuer to make repayments of principal on the Notes. No assurances can be given regarding amount of any such reduction or its impact on any class or classes of Notes, including those classes which rank in priority to the Controlling Class. For further details of the circumstances in which a Liquidation Fee or a Work-out Fee may become payable and the amount thereof, see "Issuer Collateral Management – Payments to the Collateral Manager and the Special Collateral Manager" at page 201.

Risks relating to Conflicts of Interest

Conflicts of interest may arise between the Issuer on one hand, and MSMS and MSDW Bank, on the other hand because each of MSMS, MSDW Bank and certain of their respective affiliates intend to continue actively to service, acquire, develop, finance and dispose of real estate-related assets in the ordinary course of their business. During the course of their business activities, MSMS or MSDW Bank or those affiliates may operate, service, acquire or sell properties, or finance loans secured by properties, which are in the same markets as the Properties. In such cases, the interests of MSMS or MSDW Bank or those affiliates may differ from, and compete with, the interests of the Issuer, and decisions made with respect to those assets may adversely affect the value of the Properties and therefore, ultimately, the ability of the Issuer to make payments under the Notes. Likewise, the Special Collateral Manager or affiliates of the Special Collateral Manager may service, acquire, develop, operate, finance or dispose of real estate-related assets in the ordinary course of their business so causing similar conflicts of interest to arise.

Morgan Stanley & Co. International Limited, as lead manager, is also an affiliate of MSDW Bank.

The Special Collateral Manager is responsible, under certain circumstances, for taking action in relation to Issuer Assets or underlying Originated Assets. The Special Collateral Manager may, at any time, hold any or all of the most junior class of Notes outstanding from time to time, and the holders of that class may have interests which conflict with the interests of the holders of the other Notes. The Collateral Management Agreement contains provisions that limit the information that the Issuer may provide to the Special Collateral Manager, if it is also a Noteholder, if provision of such information by the Issuer to the Special Collateral Manager alone would result in the Issuer breaching any of the rules of the Irish Stock Exchange applicable to it in connection with the listing of the Notes.

Insolvency of the French Borrowers; Enforcement of French Security

The French Borrowers and the other parties to the French Loan Agreements and ancillary documentation which are incorporated under the laws of France are subject to the provisions of French insolvency legislation. Although the French Borrowers have been incorporated as single purpose vehicles, each for the purpose of acquiring a specific French Property, they may, nonetheless, become insolvent or subject to moratorium proceedings under French law. The French Issuer, as holder of the security interests granted in connection with the transfer of the French Loans, will have certain rights under a French Loan Agreement if the French Borrower in respect thereof becomes insolvent or subject to a moratorium, and certain rights to enforce its security. However, the rights of creditors of insolvent French companies are limited by law; self-help remedies, for example appointing a receiver in respect of a property and controlling the manner and timing of the sale of secured collateral, are also generally prohibited by mandatory provisions of French law. For further information about such limitations, see "Certain Matters of French Law" at page 160. In theory, French insolvency legislation generally favours the continuation of a business and protection of employment rights over payment of creditors.

Insolvency of the Irish Borrowers

In the event of bankruptcy of all or any of the Irish Borrowers, their Irish assets would be subject to Irish bankruptcy legislation. If Irish bankruptcy proceedings are commenced against an Irish Borrower, a secured creditor of the bankrupt such as the Originator or, following the Closing Date, the Irish Issuer, is entitled to enforce his security outside the bankruptcy process.

For further information about such matters and certain other risk factors relating to the Irish Issuer and the Irish Borrowers, see "Certain Matters of Irish Law" at page 175.

Mortgagee in Possession Liability – Ireland

The Irish Loan Security Trustee may (on enforcement of its security interests) be deemed to be a mortgagee in possession in relation to the Irish Property if it physically enters into possession of the Irish Property or performs an act of control or influence which may amount to possession, such as submitting a demand direct to tenants requiring them to pay rents to the Irish Loan Security Trustee, if the Irish Property is let. The enforcement procedures contained in the Irish security documents contemplate that, following a default, notice would be served on the tenants of the Irish Property, requiring all further rents to be paid directly to the Irish Loan Security Trustee. In each case, this could result in the Irish Loan Security Trustee becoming a mortgagee in possession.

The Irish Issuer Security Trustee holds security granted by the Irish Issuer in respect of, among other things, the Irish Notes, including security over the benefit of the Irish Security Trusts. The security so granted is held

upon trust for, among others the Issuer, as holder of the Irish Notes. The Issuer has, in turn, granted security in favour of the Issuer Security Trustee over its beneficial interests in the security held by the Irish Issuer Security Trustee. It is unlikely, in light of the nature of the security interests held by the Irish Issuer Security Trustee that the Irish Issuer Security Trustee could be held liable as a mortgagee in possession of the Irish Property.

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

In a case where it is necessary to initiate enforcement procedures against the Irish Borrowers, the Irish Loan Security Trustee is likely to appoint a receiver to collect the rental income on behalf of the Irish Issuer which should have the effect of reducing the risk that the Irish Issuer Security Trustee and the Issuer Security Trustee are deemed to be mortgagees in possession.

Receivers - Ireland

Pursuant to the Irish Servicing Agreement, the Irish Issuer Servicer is required to take all reasonable steps to recover amounts due from the Irish Borrowers, and to comply, together with the Irish Loan Security Trustee, with the procedures for enforcement of the Irish Loans and the Irish Related Security current from time to time. The principal remedies available following a default in respect of an Irish Loan, as contemplated by the Irish Issuer Servicer's enforcement procedures, are the appointment of a receiver over the Irish Property and/or entering into possession of the Irish Property.

The Irish Issuer Servicer's usual practice would be to require the Irish Loan Security Trustee to appoint a receiver. The receiver's powers derive not only from the mortgage under which he has been appointed but also from the Irish Conveyancing Acts, 1881 to 1911. A receiver is deemed by law to be the agent of the entity providing security until the commencement of liquidation proceedings against such entity and so, for as long as the receiver acts within his powers, he will only incur liability on behalf of the entity providing security. If, however, the Irish Loan Security Trustee or the Irish Issuer Servicer on behalf of the Irish Issuer Security Trustee, unduly directs or interferes with and influences the receiver's actions, a court may decide that the receiver is the Irish Loan Security Trustee's agent and that the Irish Loan Security Trustee should be responsible for the receiver's acts.

Insolvency of the Belgian Property Owning Companies; Enforcement of Belgian Security

The Belgian Property Owning Companies have been incorporated in Belgium under the laws of Belgium as commercial companies and are subject to the Belgian insolvency legislation. Although various amendments were made to the corporate and constitutional documents of the Belgian Property Owning Companies with a view to limiting the corporate purpose of these companies, and the Belgian Property Owning Companies have given covenants typical of a special purpose vehicle, such as covenants not to incur additional indebtedness, or engage employees, or acquire property other than the Belgian Properties, it is possible that the Belgian Property Owning Companies could become insolvent or subject to moratorium or insolvency proceedings in Belgium. Such a situation could arise, for example, if the Belgian Properties fail to generate the revenue necessary to make timely payments of principal and interest on the Belgian Bonds. Furthermore, the mortgages granted by the Belgian Property Owning Companies by way of security for the Belgian Bonds secure only 10 per cent. of the initial aggregate principal amount outstanding under the Belgian Bonds. The Belgian Security Agent holds mortgage mandates that would enable it to execute, on behalf of the Belgian Property Owning Companies, supplemental mortgages over the Belgian Properties securing the remaining 90 per cent. of the initial principal amount outstanding under the Belgian Bonds, plus interest and costs. However, these mandates (being contractual in nature rather than rights *in rem*) cease to be effective upon the insolvency of the donor thereof. The effectiveness of a mortgage created pursuant to a mortgage mandate may also be challenged if the mortgage is registered at a time less than six months prior to the insolvency of the Belgian Property Owning Company against which the mortgage has been registered. However, under certain limited circumstances, the clawback rule is not limited to six months, for example, where a mortgage has been created pursuant to a mortgage mandate in order to "fraudulently prejudice" creditors. For further information, see "The Originated Assets – The Belgian Bonds – The Belgian Mortgage Mandate" and "Certain Matters of Belgian Law – Belgian Related Security – Mortgage Mandate" at pages 115 and 181 respectively.

The Issuer, as holder of the Belgian Bonds, will have certain enforcement rights if the Belgian Issuer or any of the Belgian Property Owning Companies becomes insolvent, and may instruct (or the Collateral Manager on its behalf may instruct) the Belgian Security Agent to enforce the security granted in respect of the Belgian Bonds. However, the rights of creditors of an insolvent Belgian company, and the enforcement rights of a secured creditor, are limited by law; self-help remedies, for example appointing a receiver in respect of a

property and controlling the manner and timing of the sale of secured collateral, are generally prohibited by mandatory provisions of Belgian law.

For further information about these limitations, see "Certain Matters of Belgian law" at page 181.

Due Diligence

The only due diligence (including valuations of Properties) that has been undertaken in relation to the Originated Assets and the Properties is described below under "The Originated Assets" at page 89 and was undertaken in the context of and at the time of the origination of each particular Originated Asset by MSDW Bank. None of the due diligence undertaken at the time of origination of the Originated Assets will be verified or updated prior to the sale of the Originated Assets to the French Issuer, the Irish Issuer or, with respect to the Belgian Bonds, the Issuer, as applicable. Each of the French Issuer, the Irish Issuer and, with respect to the Belgian Bonds, the Issuer, will rely on the warranties given to it in respect of the applicable Originated Assets by MSDW Bank in the related Asset Transfer Agreement. No similar representations with respect to the French Originated Assets or the Irish Originated Assets will be provided to the Issuer.

Breach of warranty in relation to the Originated Assets

Except as described under "Sale of Originated Assets" at page 117 none of the Issuer, the Note Trustee, the Issuer Security Trustee, the French Issuer or the Irish Issuer has undertaken or will undertake any investigations, searches or other actions as to the status of the Borrowers, the Belgian Property Owning Companies or the Belgian Issuer, as applicable. The Issuer, the Issuer Security Trustee and the Note Trustee will rely, in the case of the Belgian Bonds, on warranties given by MSDW Bank in the Belgian Bond Sale Agreement. In the case of the other Originated Assets, the Issuer will not itself have the benefit of any representations and warranties. In respect of these Originated Assets, each of the French Issuer and the Irish Issuer will have the benefit of such representations and warranties provided to them by MSDW Bank under the relevant Asset Transfer Agreement. If any breach of warranty relating to any of the Originated Assets is material and (if capable of remedy) is not remedied, then, in the case of the French Issuer Assets, the French Issuer may rescind the sale of the affected French Issuer Asset; in the case of the Irish Issuer Assets, the Irish Issuer may require MSDW Bank to repurchase the Irish Issuer Assets, and in the case of the Belgian Bonds, the Issuer or the Issuer Security Trustee may require MSDW Bank to repurchase them. In the event of a rescission or repurchase of a French Issuer Asset or the Irish Issuer Assets, the French Issuer or the Irish Issuer, as applicable, will apply the purchase price paid to it in or towards prepayment of the French Units or the Irish Notes, as applicable and the Issuer will apply the proceeds of any such prepayment, together with the proceeds of any repurchase of the Belgian Bonds, in or towards repayment of the Notes (such amounts being included in Available Principal Receipts on the Note Interest Payment Date following the end of the Note Collection Period in which such monies were received by the Issuer). The remedies for breach of warranty described above are in addition to any other remedies that the Issuer, the Note Trustee, the Issuer Security Trustee, the French Issuer, the Irish Issuer, or the Irish Issuer Security Trustee may have under applicable law as a consequence of a failure by MSDW Bank to repurchase the Belgian Bonds or any of the other Originated Assets consequent upon a breach of warranty.

Risks relating to Loan Concentration

In relation to any pool of loans, the affect of loan losses will be more severe: (a) if the pool is comprised of a small number of loans, each with a relatively large principal amount; or (b) if the losses relate to loans that account for a disproportionately large percentage of the pool's aggregate principal balance. As there are only seven Loans (including, for these purposes, the Belgian Bonds as a single loan asset), losses on any Loan may have a substantial adverse effect on the ability of the Issuer to make payments under the Notes. The Belgian Bonds (treated as a single Loan asset) comprise 19.5 per cent. of the total Loans as at the Cut-Off Date (determined by reference to principal amount outstanding). The French Loans comprise 62.4 per cent. of the total Loans as at the Cut-Off Date and the Irish Loans comprise 18.1 per cent. of the total Loans as at the Cut-Off Date.

The French Property owned by the First Principal Borrower is leased to THALES, a major electrical systems and electronics company that is listed on the regulated market in France, and is also partially owned by the French State. The term of the lease on this French Property exceeds the term of the related French Loan. The French Property owned by the Second Principal Borrower is leased to Compagnie Générale des Eaux (Veolia Environnement). Such lease accounts for 96.7 per cent. of the rental income on this French Property. The term of the lease on this French Property also exceeds the term of the related French Loan. However, if either of the above mentioned tenants of either of these French Properties were, for any reason, to terminate or breach their leases prior to the maturity date of the related French Loans, the related French Borrowers may be unable to service their debt obligations if they are unable to relet the affected French Properties within a short time period or at a rent commensurate with that paid by the departing tenant.

In addition, concentrations of properties in geographic areas may increase the risk that adverse economic or other developments or a natural disaster affecting a particular region could increase the frequency and severity of losses on loans secured by such Properties. For further information on the location of the various Properties, see "The Loan Pool" at page 132.

Risks relating to Tenant Concentration

Both the French Property owned by the First Principal Borrower and the French Property owned by SNC Josas are leased to THALES. If this tenant were, for any reason, to terminate or breach its leases prior to the maturity date of the relevant Loans, the related Borrowers may be unable to service their debt obligations if they are unable to relet the affected properties within a short time period or at a rent commensurate with that paid by the departing tenant.

Belgian Mortgage mandates and pledge of rental receivables

In respect of the pledge granted by the Belgian Property Owning Companies over their Rental Income, in case of an insolvency event (i.e. a bankruptcy, judicial imposition, insolvent winding-up or an attachment) in respect of the pledgor, the issue may be raised whether or not the payments which fall due under the leases after the date of such insolvency event would constitute future receivables or existing receivables. In case such payments would be characterised as future receivables there would be a risk that in line with the comments published on the decision of the Court of Appeals of Ghent of 5th November, 1993, courts could decide that the pledge would not be effective (*non-opposable*) against the creditors of the grantor. Furthermore, such analysis could be influenced by case law in France and The Netherlands, which limits the effectiveness of assignments of future receivables in a similar way and where case law to date seems to characterise rental receivables falling due after insolvency as future receivables.

In respect of the mortgage mandates granted by the Belgian Property Owning Companies in respect of the Belgian Properties, the use thereof to create further effective mortgages will be subject to certain restrictions, in the event of insolvency of the Belgian Property Owning Companies, as well as in certain other situations (for further information about these matters, see "Certain Matters of Belgian Law – Belgian Related Security" at page 181. In particular:

(a) such use would not be possible with effect from the date of the declaration of insolvency of the relevant company;

(b) the effectiveness of the mortgage created pursuant to the mandate may be challenged if the creation occurred during the suspect period (*période suspecte*) prior to insolvency; and

(c) it is not certain what the effects would be of a judicial composition of the company on the mortgage mandate; the view has been expressed by authoritative legal writers that (except in the case where the court restricts the powers of the company's management) the mortgage could still be created and registered, but that such mortgage would not be effective (*opposable*) against other creditors during the judicial composition (*concordat judiciaire*) nor if the judicial composition would be immediately followed by an insolvency of the company.

The use of a mortgage mandate to create an effective mortgage may also be prejudiced by the dissolution (*ontbinding*) of the company. Based on the due diligence information provided to MSDW Bank, three of the Belgian Property Owning Companies were in a situation of negative net assets as envisaged in Article 333 of the Belgian Company Code at the time of the issue of the Belgian Bonds. Having negative net assets does not trigger a situation of insolvency under Belgian law, but Article 333 provides that any third party with a valid interest can start legal action to have the company which has negative assets dissolved by a court order. The Belgian Security Agreements include undertakings so as to require the Belgian Property Owning Companies either to be recapitalised or otherwise to have the net assets otherwise brought up to the required level, should any circumstance arise where a proceeding pursuant to Article 333 would or could be triggered.

However, the likelihood of these risks materialising in respect of the Belgian Property Owning Companies is considered to be remote because the Belgian Issuer and each of the Belgian Property Owning Companies have been structured to be insolvency remote. In order to make the Belgian Property Owning Companies insolvency remote, limitations were provided with regard to the corporate purpose of these entities, so that each can only hold, rent out and finance its Properties, as well as grant loans to affiliated companies within the meaning of Article 11 of the Belgian Company Code. Outside the framework of these activities, the Belgian Property Owning Companies may not hold any assets, enter into any agreements and carry out any other activities. In general they may carry out all commercial, financial, movable or immovable transactions and may grant real or personal securities to secure their own obligations or to secure obligations of affiliated companies, by amongst other things, a mortgage or pledge of their goods, to the extent they are necessary to realise their corporate purpose as described above. They may not have employees. The due diligence report produced at the

time of issuance of the Belgian Bonds indicated that one of the Belgian Property Owning Companies has one employee, a janitor, and that in respect of that employee, no liabilities were overdue. MSDW Bank has satisfied itself that any liability in case of termination of this one employee would not be material.

Factors Relating to the Issuer Assets

Insolvency of the Belgian Issuer

The Belgian Issuer has been incorporated in Belgium under the laws of Belgium as a commercial company and is subject to the Belgian insolvency legislation.

The insolvency proceedings as described above for the Belgian Property Owning Companies and in "Certain Matters of Belgian Law" at page 181 will apply equally to the Belgian Issuer.

In order to make the Belgian Issuer insolvency remote, the limitations on the corporate purposes of the Belgian Issuer were included in its incorporation documents, so that its activities are limited to the issuing of negotiable financial instruments for the purpose of refinancing of credits entered into by affiliated companies within the meaning of Article 11 of the Belgian Company Code, grant loans to affiliated companies out of the proceeds of this issuance, and holding or selling, as the case may be, shares in the capital of Beta Invest S.P.R.L. (one of the Belgian Property Owning Companies). Outside the framework of the activities mentioned above, the Belgian Issuer may not hold any assets, enter into any agreements or carry out any other activities. In general the Belgian Issuer may carry out all commercial, financial, movable or immovable transactions and may grant real or personal securities to secure its own obligations or to secure obligations of affiliated companies, by amongst other things a mortgage or pledge of its goods, to the extent they are necessary to realise the company's purpose as described above. The Belgian Issuer may not have employees.

Transfer of the Belgian Bonds

Belgian withholding tax rules provide for an exemption for withholding tax on interest payments in respect of registered bonds held by non-resident investors not using the bonds for a business activity in Belgium, provided certain conditions apply, including a condition that the ownership of registered bonds does not change at any time other than on a note interest payment date in respect of such bonds. It is for this reason that the Belgian Bond Sale Agreement will be entered into on the Closing Date but the transfer of the Belgian Bonds will not occur until 5th February, 2004, being the first Belgian Bond Interest Payment Date following the Closing Date. As a result, for the period from and including the Closing Date up to, but not including, 5th February, 2004, ownership of the Belgian Bonds will remain with Morgan Stanley & Co. Inc. and the Originator (as holders of each of the Belgian Bonds, respectively) rather than the Issuer and the Issuer will have no right, title or interest to the Belgian Bonds nor any interest accruing thereon during this period. In the event that Morgan Stanley & Co. Inc. or the Originator becomes insolvent between the Closing Date and the Belgian Bond Transfer Date or is otherwise unable to transfer the Belgian Bonds, the Belgian Bonds will not be transferred to the Issuer and the Issuer will use the funds standing to the credit of the Issuer Deposit Account to redeem the Notes in part rather than to use such funds to purchase the Belgian Bonds from the Originator.

Insolvency of the French Issuer

The French Issuer is neither subject to the provision of the French *Code de commerce* relating to bankruptcy and insolvency proceedings, nor to the provisions of the French *Code monétaire et financier* relating to credit institutions (*établissements de crédit*), investment companies (*entreprises d'investissement*) or investment funds (*organismes de placement collectif en valeurs mobilières*) and its winding up or liquidation may only be effected in accordance with *the French Code Monetaire et Financier*, the Decree and the French Issuer Regulations.

For further information about the French Issuer, see "The Parties - The French Issuer and its Related Parties - The French Issuer" at page 86.

Insolvency of the Irish Issuer

The Irish Issuer has been incorporated solely for the purpose of issuing the Irish Notes, secured over the Irish Loans and the Irish Related Security, and for the purpose of acquiring further residential and commercial loans originated by MSDW Bank and its affiliates, funded by further issuances of notes. Each such further note issue will be secured only over the asset or assets purchased with the proceeds thereof, and there will be no cross-collateralisation, or cross default, of or affecting the different note issuances.

As a limited company incorporated in Ireland, the Irish Issuer will be subject to the Irish insolvency legislation. For further information about this, see "Certain Matters of Irish Law" at page 175. In order to make the Irish Issuer insolvency remote, (a) its entire share capital is held on trust for one charity and (b) the objects of the Irish Issuer as set forth in its memorandum of association have been limited to include, among other things, the acquisition and management of financial assets and the issue of notes and related activities. In addition, the Irish Issuer has covenanted and undertaken not to amend, supplement or modify its memorandum or articles of association, nor to have any subsidiaries or any employees or have any interests in a bank account other than the Irish Issuer Transaction Account or any account established for any separate note issuance. To the extent that the Irish Issuer has entered into contracts with third parties, its obligations are subject to limited recourse provisions. The Irish Issuer has in any event, entered into a deed of charge and assignment granting security over the Irish Issuer Assets (including the Irish Loan and the Irish Related Security) for the benefit of, among others, the Issuer as the holder of the Irish Notes.

Multiple Debt Issuances by the Irish Issuer

The Irish Issuer was incorporated before the issue of the Notes, for the purpose of acquiring loans secured on residential and commercial real estate and originated by MSDW Bank or affiliates thereof, issuing debt instruments for the purpose of funding each such acquisition, and entering into transactions ancillary to such acquisitions and the funding thereof. The Irish Notes are the first debt instruments to be issued by the Irish Issuer. The Irish Issuer may in the future, after the Irish Notes have been redeemed in full, acquire additional residential or commercial real estate loans and may issue debt secured on those loan assets.

Factors Relating to the Notes

Insolvency of the Issuer

The Issuer is structured to be an insolvency-remote vehicle. Each of the transaction documents to which the Issuer is party are subject to limited recourse provisions and non-petition covenants in favour of the Issuer. The Issuer has granted security over all of its assets pursuant to relevant local laws and the Issuer Deed of Charge and Assignment, which is governed by English law. The Issuer Deed of Charge and Assignment includes a floating charge granted over all of the assets of the Issuer other than those assets effectively secured under laws other than English law; however, the Luxembourg courts will not recognise or give effect to floating charges, to the extent that the change purports to create security over property or assets in Luxembourg. Other jurisdictions are also unlikely to recognise and give effect to floating charges purporting to secure property or assets located or deemed to be located in that jurisdiction, including Belgium and France. Reliance is placed on the mortgages, pledges, assignments and other fixed security interests granted by the Issuer and the insolvency-remote nature of the Issuer for repayment of amounts owing to creditors thereof. Notwithstanding the foregoing, there is always a risk that the Issuer could become subject to insolvency proceedings; the Issuer is insolvency-remote, not insolvency-proof.

Prepayment Risk

A high prepayment rate in respect of the Loans, and/or the prepayment of one or more of the larger Loans by principal balance, will result in a reduction in interest receipts in respect of the Loans and, more particularly, could reduce the weighted average coupon earned on the Loan Pool which may result in a shortfall in the monies available to be applied by the Issuer in making payments of interest on the Notes. The prepayment risk will, in particular, be borne by the holders of the most junior Classes of Notes then outstanding.

In the event that the Irish Borrowers were deemed to be a partnership, certain events leading to the dissolution of the partnership could lead to the prepayment of the Irish Loans. For further information about the possibility of the Irish Borrowers being regarded as a partnership and the circumstances which could lead to dissolution, see "Certain Matters of Irish Law – Partnership" at page 180.

Interest Payments on the Class E Notes and the Class F Notes

On each Note Interest Payment Date, the maximum amount of interest then due and payable on the Class E Notes or the Class F Notes, as applicable, will be limited to the amount equal to the lesser of (a) the Note Interest Amount (as defined in Condition 5(d) at page 234) in respect of such class of Notes on that Note Interest Payment Date, and (b) the Adjusted Note Interest Amount (as defined in Condition 5(i) at page 235) for such class of Notes on such Note Interest Payment Date. If the difference between the Note Interest Amount and the Adjusted Note Interest Amount applicable to the Class E Notes or the Class F Notes, as applicable, on a Note Interest Payment Date is attributable to a reduction in the interest-bearing balance of the Originated Assets as a result of prepayments, the debt that would otherwise be represented by such difference will be extinguished

on such Note Interest Payment Date, and the affected Noteholders will have no claim against the Issuer in respect thereof.

Prepayment and Yield

If any Notes of any class are purchased at a premium, and if payments and other collections of principal on the Loans occur at a rate faster than anticipated at the time of the purchase, then the actual yield to maturity on that class of Notes may be lower than assumed at the time of the purchase. If any Notes of any class are purchased at a discount, and if payments and other collections of principal on the Loans occur at a rate slower than anticipated at the time of the purchase, then the actual yield to maturity on that class of Notes may be lower than assumed at the time of the purchase. The investment performance of any Note may vary materially and adversely from expectations due to the rate of payments and other collections of principal on the Loans being faster or slower than anticipated. Accordingly, the actual yield may not be equal to the yield anticipated at the time the Note was purchased, and the expected total return on investment may not be realised. An amount equal to Prepayment Fees paid by the French Borrowers, the Irish Borrowers and the Belgian Issuer in connection with prepayments of all or part of the French Loans, the Irish Loans and the Belgian Bonds, respectively will be paid by the Issuer to the Collateral Manager as a component of the Supplemental Collateral Management Fee and will, in any such case, not be available to compensate Noteholders for any reductions in yield.

An independent decision as to the appropriate prepayment assumptions to be used should be made when deciding whether to purchase any Note.

Liability under the Notes

The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by MSDW Bank or any affiliate of MSDW Bank, or of or by the Managers; the Collateral Manager, the Special Collateral Manager**,** the Note Trustee, the Issuer Security Trustee, the Corporate Services Provider, the Domiciliation Agent, the Share Trustee, the Nominee Trustee, the Principal Paying Agent, any other Payment Agent, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Swap Provider, the Swap Guarantor, the Depository, the Exchange Agent, the Issuer Operating Bank, the French Issuer, the French Issuer Related Parties, the Irish Issuer or the Irish Issuer Related Parties, or any of their respective affiliates, and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

Principal Losses

The Principal Amount Outstanding of each Note will be reduced by the corresponding amount of Applicable Principal Losses (as defined in Condition 6(e) at page 240) that are applied against each Note of the relevant class. Noteholders will have no claim against the Issuer in respect of the amount by which the Principal Amount Outstanding of any Notes has been so reduced.

For further information about Principal Losses, see "Terms and Conditions of Notes - Condition 6(e)" at page 241.

Limited Recourse

On enforcement of the security for the Notes, the Issuer Security Trustee, the Note Trustee and the Noteholders will only have recourse to the Issuer Assets. In the event that the proceeds of such enforcement are insufficient (after payment of all other claims ranking higher in priority to or *pari passu* with amounts due under the Notes), then the Issuer's obligation to pay such amounts will cease and the Noteholders will have no further claim against the Issuer in respect of such unpaid amounts. Enforcement of the Issuer Security is the only remedy available for the purpose of recovering amounts owed in respect of the Notes.

The Issuer, the Issuer Security Trustee and the Note Trustee will have no recourse to MSDW Bank, save in respect of certain representations and warranties given by MSDW Bank in connection with the sale of the Belgian Bonds. None of the French Issuer or the Irish Issuer will have recourse to MSDW Bank save in respect of certain representations and warranties given by MSDW Bank in the Asset Transfer Agreements.

For further information about the representation and warrants, see "Sale of Originated Assets - Representations and Warranties" at page 119.

Rights Available to Holders of Notes of Different Classes

In performing its duties as trustee for the Noteholders, the Note Trustee will not be entitled to consider solely the interests of the holders of the most senior class of Notes then outstanding but will need to have regard to the interests of all of the Noteholders. Where, however, there is a conflict between the interests of the holders of one class of Notes and the holders of another class of Notes, the Note Trustee will be required to have regard only to the interests of the holders of the most senior class of Notes then outstanding.

In performing its duties as trustee for the Issuer Secured Creditors, the Issuer Security Trustee will take its instructions from the Note Trustee, for so long as any Notes are outstanding, and will not be required to take into account the interests of any other Issuer Secured Creditor, except as otherwise expressly provided in the Issuer Deed of Charge and Assignment.

Ratings of Notes and Confirmations of Ratings

The ratings assigned to the Notes by the Rating Agencies are based on the Originated Assets, the Issuer Assets, the Properties, and other relevant structural features of the transaction, including, among other things, the short term unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Facility Provider and the Swap Guarantor, and reflect only the views of the Rating Agencies. The ratings address the likelihood of full and timely receipt by any of the Noteholders of interest on the Notes and the likelihood of ultimate receipt by any Noteholder of principal of the Notes by the Maturity Date. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by 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 value of the Notes.

Agencies other than the Rating Agencies could seek to rate the Notes and if such "unsolicited ratings" are lower than the comparable ratings assigned to the Notes by the Rating Agencies, those shadow ratings could have an adverse effect on the value of the Notes. For the avoidance of doubt and unless the context otherwise requires, any references to "ratings" or "rating" in this Offering Circular are to ratings assigned by the specified Rating Agencies only.

The Rating Agencies will be notified of the exercise of certain discretions by or at the direction of the Collateral Manager and the Special Collateral Manager, such as amendments to and waivers of Loan documentation and certain discretions of which the Issuer Security Trustee is given notice prior to their exercise. However, the Rating Agencies are under no obligation to revert to the Collateral Manager or Special Collateral Manager regarding the impact of the exercise of such discretion on the ratings of the Notes and any decision as to whether or not to confirm, downgrade, withdraw or qualify the ratings of all Classes or any Class of Notes based on such notification may be made at the sole discretion of the Rating Agencies at any time, including after the exercise of the discretion.

For further information regarding the basis on which discretions are issued by, or at the discretion of, the Collateral Manager or the Special Collateral Manager see "Issuer Collateral Management – Direction of Originated Asset Servicers and Exercise of Discretions" at page 200.

Absence of Secondary Market; Limited Liquidity

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

Availability of Liquidity Facility

Pursuant to the terms of the Liquidity Facility Agreement, the Liquidity Facility Provider will provide a committed facility for drawings to be made in the circumstances described in "Credit Structure — Liquidity Facility Agreement and Inter-Company Loan Agreement" at page 212. The facility will, however, be subject to an initial maximum aggregate principal amount of ε25,000,000 which will in certain specified circumstances be reduced. The amount available to be drawn under the facility in the event of a non-payment in respect of a Loan may, if followed by an Appraisal Reduction in respect of such Loan, be reduced, such that insufficient funds may be available to the Issuer to pay in full interest due on the Notes. This risk will be borne first, by the holders of the Class F Notes; secondly, by the holders of the Class E Notes; thirdly, by the holders of the Class

D Notes; fourthly, by the holders of the Class C Notes; fifthly, by the holders of the Class B Notes; and sixthly, by the holders of the Class A Notes. For further information, see "Credit Structure – Liabilities under the Notes" at page 208. The Liquidity Facility Agreement is not available to meet shortfalls in Final Redemption Funds, Principal Recovery Funds or Prepayment Redemption Funds or to fund any Issuer Priority Payments.

United States Tax Characterisation of the Notes

Although all of the Notes are denominated as debt, there is a significant possibility that the Class F Notes (and to a lesser extent, one or more senior classes of Notes) may be treated as equity for United States federal income tax purposes. Such a characterisation could have certain adverse tax consequences to United States investors who hold such Notes.

For further information about the United States tax treatment of the Notes, see "United States Taxation — Possible Alternative Characterisation of the Notes" at page 257.

Proposed European Union Directive on Taxation of Certain Interest Payments

On 3rd June, 2003 the Council of Economic and Finance Ministers of the European Union (the "**EU**") adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by EU member states beginning 1st January, 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive, each EU member state will be required to provide to the tax authorities of another EU member state details of payments of interest or other similar income paid by a person within its jurisdiction to or for an individual resident in that other member state; however, Austria, Belgium and Luxembourg may instead apply an alternative system for a transitional period in relation to such payments, withholding tax at rates rising over time to 35 per cent.. The transitional period is scheduled to run from (a) the date on which the directive is to be applied by EU member states, to (b) the end of the first fiscal year following the later of (i) agreement by certain non-EU countries to the exchange of information relating to such payments and (ii) agreement by the EU Council that the U.S.A. is committed to apply the exchange of information relating to such payments.

Withholding Tax under the Notes and Issuer Assets

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

In the event any withholding or deduction for or on account of taxes is imposed on or is otherwise applicable to payments under the French Units or the Irish Notes, each of the French Issuer and the Irish Issuer will not be obliged, under the terms and conditions of such notes, to gross up the amount of the withholding. Under such circumstances, each of the French Issuer and the Irish Issuer would be under an obligation to redeem the French Units and the Irish Notes, as applicable, subject to having sufficient funds to do so.

Tax

See the information set out under the headings "Luxembourg Taxation" and "United States Taxation" at page 254 and page 255 respectively.

Investment Company Act

The Issuer has not registered with the SEC as an investment company pursuant to the Investment Company Act in reliance on an exception to the definition of investment company for issuers (a) whose outstanding securities are owned by Qualified Purchasers and (b) which do not make a public offering of their securities in the United States.

If the SEC or a court of competent jurisdiction were to find that the Issuer is required, but in violation of the Investment Company Act, has failed to register as an investment company, possible consequences include, but are not limited to, the following: (a) the SEC could apply to a district court to enjoin the violation; (b) investors in the Issuer could sue the Issuer and recover any damages caused by the violation; and (c) any contract to which the Issuer is a party that is made in, or whose performance involves, a violation of the Investment Company Act would be unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Issuer be subjected to any or all of the foregoing, the Issuer would be materially and adversely affected.

ERISA Considerations

Although no assurances can be made, the conditions and restrictions on transfers of the Notes set forth under "Transfer Restrictions" at page 266 and "U.S. ERISA Considerations" at page 260 are intended to prevent the assets of the Issuer from being treated as the assets of a Benefit Plan Investor for purposes of ERISA. If the assets of the Issuer were deemed to be "plan assets", certain transactions that the Issuer may have entered into, in the ordinary course of business might constitute non-exempt prohibited transactions under ERISA and/or Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "**Code**") and might have to be rescinded.

Each purchaser or transferee of the Notes that is, or is acting on behalf of, an ERISA Plan that is subject to ERISA or Section 4975 of the Code will be deemed to represent and warrant that its acquisition and holding of Notes will not result in a non-exempt prohibited transaction under ERISA or the Code.

For further information, see "ERISA Considerations" at page 260 for a more detailed discussion of certain ERISA-related considerations with respect to an investment in the Notes.

Change of Law

The structure of the issue of the Notes and the ratings which are to be assigned to them are based on English law, New York law, Luxembourg law, Belgian law, French law and Irish law, and on administrative practice in each of those jurisdictions in effect as at the date of this document. No assurance can be given as to the impact of any possible change to English law, New York law, Luxembourg law, Belgian law, French law or Irish law or to administrative practice in any of the foregoing jurisdictions after the date of this Offering Circular, 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.

Proposed changes to the Basel Accord

The Basel Committee on Banking Supervision (the "**Basel Committee**") has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline. The consultation period on the initial proposals ended in March 2000 and the Basel Committee published its second consultation document, the "**New Basel Capital Accord**", on 16th January, 2001. The consultation period on the further proposals contained in the New Basel Capital Accord ended on 31st May, 2001.

On 1st October, 2002 the Basel Committee launched a comprehensive field test for banks, known as the quantitative impact study, or QIS3, to gauge the impact of its revised proposals on minimum capital requirements under pillar one of the New Basel Capital Accord before finalisation of the third consultative paper. The survey period ended on 20th December, 2002 and the results were issued on 5th May, 2003. The third consultative paper on the New Basel Capital Accord was issued on 29th April, 2003, with the consultation period ending on 31st July, 2003.

The Basel Committee intends to resolve outstanding issues by no later than mid-year 2004, with a view to allowing for implementation of the new framework in each country at year-end 2006. If adopted in their current form, the proposals could affect the risk weighting of the Notes for certain investors if those investors are regulated in a manner which will be affected by the proposals. Consequently, recipients of this Offering Circular should consult their own advisers as to the consequences to and effect on them of the potential application of the New Basel Capital Accord proposals.

Hedging risks

The Loans bear interest at a fixed rate while each class of the Notes bears interest at a rate based, except in the case of the first Interest Period, on three month EURIBOR plus the applicable margin (see Condition 5 at page 232). In order to address the risk of such mismatch of interest rates, the Issuer will enter into the Swap Transactions pursuant to the Swap Agreement. However, there can be no assurance that the Swap Transactions will adequately address unforeseen hedging risks. Moreover, in certain circumstances the Swap Agreement may be terminated and as a result the Issuer may be unhedged if replacement swap transactions cannot be entered into. Noteholders may also suffer a loss if, as a result of a default by a Borrower under a Loan Agreement or by the Belgian Issuer under the Belgian Bonds, one or more of the Swap Transactions is terminated and the Issuer is, as a result of such termination, required to pay a termination amount to the Swap Provider. Certain amounts payable on an early termination of a Swap Transaction or the Swap Agreement rank senior to any payments to be made to the Noteholders both before enforcement of the Issuer Security and after enforcement of the Issuer Security. For further information, see "Summary – Available Funds and their Priority

of Application – Payments out of the Issuer Transaction Account prior to Enforcement of the Notes" at page 48 and "Credit Structure – Security Interests and Post-Enforcement Priority of Payments" at page 210.

For a more detailed description of the Swap Agreement see "Credit Structure - The Swap Agreement", at page 216.

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

THE ISSUER

The Issuer, Khronos (European Loan Conduit No. 17) S.A., was incorporated as a *société anonyme* in Luxembourg on 7th July, 2003 (registered number B 94330). The registered office of the Issuer is at 7, Val Sainte-Croix, L-1371 Luxembourg. The Issuer has no subsidiaries. The Issuer is, by virtue of the laws of Luxembourg, resident in Luxembourg (for tax and other purposes) and does not carry on a trade or business in any of France, Ireland or Belgium.

Principal Activities

The principal activities of the Issuer are set out in Article 4 of its articles of association and are restricted to the securitisation of (a) securities (debt, equity or hybrid) issued by public or private enterprises, national or international organisations and institutions and sovereign states as well as other legal entities, and (b) assets and receivables of any other type or nature. The Issuer has power to issue bonds and securities of any nature to fund the acquisition, management and disposal of the asset types referred to above, to enter into swap agreements and to pledge, mortgage or charge or otherwise create security interests in or over its assets to secure the payment or repayment of any amounts payable by the Issuer under or in respect of any bond, note, debenture or debt instruments of any kind from time to time issued by the Issuer.

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 *société anonyme*, the authorisation of the issue of the Notes and of the other documents and matters referred to or contemplated in this Offering Circular and matters which are incidental or ancillary to the foregoing.

The Issuer will covenant to observe certain restrictions on its activities, insofar as they relate to the Issuer Assets, which are detailed in Condition 4(A) of the Notes, the Issuer Deed of Charge and Assignment and the Note Trust Deed. In addition, the Issuer will covenant in the Note Trust Deed to provide written confirmation to the Note Trustee, on an annual basis, that no Note Event of Default or Potential Note Event of Default (or other matter which is required to be brought to the Note Trustee's attention) has occurred in respect of the Notes.

Directors

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

Name	Business Address	Principal Activities
Alexis Kamarowsky	7, Val Sainte-Croix, L-1371 Luxembourg	Director of Companies
Federigo Cannizzaro	7, Val Sainte-Croix, L-1371 Luxembourg	Director of Companies
Jean-Marc Debaty	7, Val Sainte-Croix, L-1371 Luxembourg	Director of Companies

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

ε31,000 (thirty one thousand euro), divided into 3,100 (three thousand one hundred) shares of ε10 each. 1,550 shares in the Issuer are held by the Share Trustee as trustee of the "Khronos (European Loan Conduit No. 17) S.A. Securitisation Trust" pursuant to the Share Declaration of Trust declared by the Share Trustee on 10th December, 2003. The Issuer will pay the fees and expenses of the Share Trustee. The remaining 1,550 shares in the Issuer are held by the Nominee Trustee as nominee for the Share Trustee pursuant to the Nominee Declaration of Trust. The Issuer will pay the fees and expenses of the Nominee Trustee.

Loan Capital

Class A Commercial Mortgage Backed Floating Rate Notes due 2013	ε215,000,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2013	ε27,300,000
Class C Commercial Mortgage Backed Floating Rate Notes due 2013	ε28,700,000
Class D Commercial Mortgage Backed Floating Rate Notes due 2013	ε9,100,000
Class E Commercial Mortgage Backed Floating Rate Notes due 2013	ε10,600,000
Class F Commercial Mortgage Backed Floating Rate Notes due 2013	ε12,200,300
Total Loan Capital	ε302,900,300

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, charges or pledges nor has it given any guarantees as at the date hereof save in connection with the Issuer Security.

Accountants' Report

The following is the text of a report, extracted without material adjustment, received by the directors of the Issuer from BDO Compagnie Fiduciaire, who have been appointed as auditors to the Issuer. BDO Compagnie Fiduciaire are registered auditors (*réviseurs d'enterprises*) qualified to practise in Luxembourg. The balance sheet contained in the report does not comprise the Issuer's statutory accounts. No statutory accounts have been prepared or delivered since the Issuer's incorporation. The Issuer's accounting reference date will be 31st December and the first statutory accounts will be drawn up to 31st December, 2003.

The Board of Directors 10th December, 2003
Khronos (European Loan Conduit No. 17) S.A.
7, Val Sainte-Croix
L-1371 Luxembourg

Morgan Stanley & Co. International Limited
25 Cabot Square
Canary Wharf
London E14 4QA
(as Lead Manager and Arranger)

HSBC Bank USA
452 Fifth Avenue
New York
New York 10018
(as Note Trustee and Issuer Security Trustee)

Dear Sirs

KHRONOS (EUROPEAN LOAN CONDUIT NO. 17) S.A. (the "Company")

Introduction

Following our mandate given by the board of directors of the Company, we have audited the financial statements of the Company as at 10th December, 2003 set out below. These financial statements have been prepared for inclusion in the offering circular dated 10th December, 2003 of the Company (the "Offering Circular") relating to the issue of EURO 215,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2013, EURO 27,300,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2013, EURO 28,700,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2013, EURO 9,100,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2013, EURO 10,600,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2013 and EURO 12,200,300 Class F Commercial Mortgage Backed Floating Rate Notes due 2013.

The Company was incorporated and registered in Luxembourg as a *société anonyme* on 7th July, 2003 under the name Khronos (European Loan Conduit No. 17) S.A., with registered number B 94330.

We have been auditors of the Company since our appointment on 9th December, 2003.

Basis of preparation

The financial statements set out in this report are based on the statutory records of the Company. The Company has not prepared any audited statutory financial statements for presentation to the shareholders since incorporation.

Responsibility

The financial statements are the responsibility of the board of directors of the Company. The Company is responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to form an opinion on the financial statements of the Company based on our audit and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (the "Standards") issued by the International Federation of Accountants. The Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements set out below give, in compliance with the legal and regulatory requirements of Luxembourg, a true and fair view of the financial position of the Company as at 10th December, 2003 and of the results of its operations for the period from 7th July, 2003 to 10th December, 2003.

FINANCIAL STATEMENTS

KHRONOS (EUROPEAN LOAN CONDUIT NO. 17) S.A.

The Balance Sheet of the Company as at 10th December, 2003 is as follows:

ASSETS	**Notes**	**EURO**
Current assets:		
Formation expenses		1,705.00
Cash		31,000.00
TOTAL ASSETS		31,000.00
LIABILITIES AND SHAREHOLDERS' EQUITY		
Capital and reserves:		
Share capital (3,100 ordinary shares of EURO 10 each)	3	31,000.00
Liabilities		
Other Liabilities		1,705.00
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		31,000.00

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

The balance sheet has been prepared in accordance with the historical costs convention.

2. Profit and Loss

The Company did not operate during the period from incorporation on 7th July, 2003 to 10th December, 2003 nor did it receive any income nor did it incur any expenses or pay any dividends. Consequently, no profit and loss account has been prepared.

3. Share capital.

The Company was incorporated with an issued and subscribed share capital of EURO 31,000, comprising 3,100 ordinary shares of EURO 10 each. On 7th July, 2003, 1,550 shares were issued to SFM Corporate Services Limited and the remaining 1,550 shares were issued to Structured Finance Management Limited.

All the share capital was allotted for cash, and fully paid, on incorporation.

The shares are held in trust by SFM Corporate Services Limited and Structured Finance Management Limited for the Khronos (European Loan Conduit No. 17) S.A. Securitisation Trust.

Yours faithfully

BDO Compagnie Fiduciaire

Registered Auditors

THE PARTIES

The Originator and its Related Parties

The Originator

Morgan Stanley Dean Witter Bank Limited, a company incorporated in England and Wales (registered number 3722571) with its registered office at 25 Cabot Square, London E14 4QA, and with branch offices in Milan and Frankfurt, is the Originator.

The Originator is a wholly-owned subsidiary of Morgan Stanley and is engaged in the business of, among other things, originating commercial mortgage-backed loans and similar assets in various parts of Europe. In originating all of the Originated Assets, the Originator has acted through its registered office.

The Irish Loan Security Trustee

Morgan Stanley Mortgage Servicing Limited, a company incorporated in England and Wales (registered number 3411668) with its registered office at 25 Cabot Square, Canary Wharf, London E14 4QA, is the Irish Loan Security Trustee.

MSMS is a wholly owned subsidiary of Morgan Stanley and, in its role as a security trustee is engaged in the business of, among other things, holding on trust or as agent and, in such capacities, enforcing, security interests granted in respect of commercial mortgage backed loans and similar assets originated by MSDW Bank or its affiliates in various parts of Europe.

The Issuer and its Related Parties

The Issuer

Khronos (European Loan Conduit No. 17) S.A., a *société anonyme* incorporated in Luxembourg (registered number B 94330) with its registered office at 7 Val Sainte-Croix, L-1371 Luxembourg, is the Issuer.

The Issuer is engaged in the business of undertaking securitisation transactions. The Issuer may, in the future but only after the Notes have been redeemed in full, issue notes other than the Notes, secured upon assets other than the Issuer Assets.

For information about the Issuer, see "The Issuer" at page 79.

The Note Trustee

HSBC Bank USA, a banking corporation and trust company organised under the laws of the State of New York, USA, FDIC certificate number 00589, is the Note Trustee. The principal office of HSBC Bank USA is 452 Fifth Avenue, New York, New York 10018, U.S.A.

The Note Trustee is engaged in the business of, among other things, providing trustee services in the context of the issuance of capital market debt instruments similar to the Notes, pursuant to agreements similar to the Note Trust Deed.

The Note Trustee will act as trustee for the Noteholders pursuant to a trust deed (the "**Note Trust Deed**") between the Note Trustee and the Issuer. The Note Trust Deed is governed by English law and, among other things:

(a) sets out when, and the terms upon which, the Note Trustee will be entitled or obliged, as the case may be, to take steps to enforce the Issuer's obligations under the Notes (or certain other relevant documents);

(b) contains various covenants of the Issuer relating to repayment of principal and payment of interest in respect of the Notes, to the conduct of its affairs generally and to certain ongoing obligations connected with its issuance of the Notes;

(c) provides for the remuneration of the Note Trustee, the payment of expenses incurred by it in the exercise of its powers and performance of its duties and provides for the indemnification of the Note Trustee against liabilities, losses and costs arising out of the Note Trustee's exercise of its powers and performance of its duties;

(d) sets out whose interests the Note Trustee should have regard to when there is a conflict between the interests of different classes of Noteholder;

(e) provides that the determinations of the Note Trustee will be conclusive and binding on the Noteholders;

(f) sets out the extent of the Note Trustee's powers and discretions, including its rights to delegate the exercise of its powers or duties through agents, to seek and act upon the advice of certain experts and to rely upon certain documents without further investigation;

(g) sets out the scope of the Note Trustee's liability for any breach of duty or breach of trust, negligence or wilful default in connection with the exercise of its duties;

(h) sets out the terms upon which the Note Trustee may, without the consent of the Noteholders, waive or authorise any breach or proposed breach of covenant by the Issuer or determine that a Note Event of Default (as defined in Condition 10 at page 243) has occurred;

(i) sets out the terms upon which the Note Trustee may, without the consent of the Noteholders, make or sanction any modification to the Conditions or to the terms of the Note Trust Deed or certain other relevant documents; and

(j) sets out the requirements for and organisation of Noteholder meetings.

The Note Trust Deed also contains provisions governing the retirement or removal of the Note Trustee and the appointment of a successor Note Trustee and the rights which the Note Trustee has to issue directions to the Issuer Security Trustee in relation to the Issuer Security. The Note Trustee may at any time and for any reason resign as Note Trustee upon giving not less than three months' prior written notice to the Issuer. The holders of the Notes of each class, acting by Extraordinary Resolution, may together remove the Note Trustee from office.

The appointment of a successor Note Trustee will be made by the Issuer or, where the Note Trustee has given notice of its resignation and the Issuer has failed to make any such appointment by the expiry of the applicable notice period, by the Note Trustee itself. No person may be appointed to act as a successor Note Trustee unless that person has been previously approved by an Extraordinary Resolution of each class of the Noteholders. No retirement or removal of the Note Trustee (or any Successor Note Trustee) will be effective until a Successor Note Trustee has been appointed.

The Issuer Security Trustee

HSBC Bank USA, a banking corporation and trust company organised under the laws of the State of New York, USA, FDIC Certificate number 00589, is the Issuer Security Trustee. The principal office of HSBC Bank USA is 452 Fifth Avenue, New York, New York 10018, U.S.A.

The Collateral Manager and the Special Collateral Manager

MSMS is the Collateral Manager and, as at the Closing Date, the Special Collateral Manager. MSMS may be replaced as Special Collateral Manager after the Closing Date by a suitably qualified entity in accordance with the terms of the Collateral Management Agreement. The incorporation and ownership details of MSMS are stated above under "The Originator and its Related Parties – The Irish Loan Security Trustee".

In its roles as collateral manager or special collateral manager, as the case may be, MSMS is engaged in the business of, among other things, servicing commercial mortgage backed loans and connected assets, typically originated by MSDW Bank or its affiliates in various parts of Europe.

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

HSBC Bank plc, a public limited company incorporated in England and Wales (registered number 14259) is the Principal Paying Agent, Cash Manager, Agent Bank and Exchange Agent. In providing services in each of these capacities, HSBC Bank plc is acting through its office at Mariner House, Pepys Street, London EC3N 4DA.

In its roles as Principal Paying Agent, Cash Manager, Agent Bank and Exchange Agent, HSBC Bank plc is engaged in the business of, among other things, providing certain cash-flow management services in connection with the issuance of capital market debt instruments similar to the Notes.

The Sub-Paying Agent

HSBC Global Investor Services (Ireland) Limited, a company incorporated in Ireland (registered number 239099) whose principal office is at International House, 20-22 Lower Hatch Street, Dublin 2, Ireland is the Sub-Paying Agent.

In its role as sub-paying agent, HSBC Global Investor Services (Ireland) Limited is engaged in the business of, among other things, providing certain cash-flow management services in connection with the issuance of capital market debt instruments similar to the Notes.

The Issuer Operating Bank

HSBC Bank plc, is the Issuer Operating Bank. In providing services in this capacity, the Issuer Operating Bank is acting through its office located at Mariner House, Pepys Street, London EC3N 4DA.

The Issuer Operating Bank is engaged in the business of providing commercial banking services and will, in connection with the issuance of the Notes, maintain certain bank accounts of the Issuer, namely the Issuer Transaction Account, the Issuer Stand-by Account, the Swap Collateral Cash Account and the Swap Collateral Custody Account.

As at the date of this Offering Circular, the long-term, unsecured, unsubordinated debt obligations of the Issuer Operating Bank are rated "AA" by Fitch, "Aa2" by Moody's and "AA-" by S&P, and the short-term, unsecured, unsubordinated debt obligations of the Issuer Operating Bank are rated "F1+" by Fitch, "P-1" by Moody's and "A-1+" by S&P.

The Depository and the Registrar

HSBC Bank USA is the Depository and Registrar. In providing services in each of these capacities, HSBC Bank USA is acting through its offices at 452 Fifth Avenue, New York, New York 10018.

In its roles as Depository and Registrar, HSBC Bank USA is engaged in the business of, among other things, providing certain administrative services in connection with the issuance of capital market debt instruments similar to the Notes.

The Corporate Services Provider

Structured Finance Management (Luxembourg) S.A., a public limited liability company (*société anonyme*), incorporated under the laws of the Grand-Duchy of Luxembourg (registered number B 95021), having its registered office at 7, Val Ste Croix, L-1371 Luxembourg, is the Corporate Services Provider.

The Corporate Services Provider is engaged in the business of, among other things, providing certain administrative and managerial services to issuers of capital market debt instruments similar to the Issuer.

The Domiciliation Agent

Luxembourg International Consulting S.A., a public limited liability company (*société anonyme*) incorporated under the laws of the Grand-Duchy of Luxembourg (registered number B 40312), having its registered office at 7, Val Ste Croix, L-1371 Luxembourg, is the Domiciliation Agent. The Domiciliation Agent is a licensed domiciliation agent (*domiciliataire de sociétés*) in Luxembourg, supervised by the *Commission de Surveillance du Secteur Financier*.

The Swap Provider

Morgan Stanley Capital Services Inc. ("**MSCS**"), a corporation incorporated in the State of Delaware with its registered offices at Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle, Delaware, U.S.A. is the Swap Provider. In providing services in this capacity, the Swap Provider is acting through its offices at 1585 Broadway, New York, New York 10036.

The Swap Provider is engaged in the business of, among other things, conducting forward payment business, including interest rate swaps, currency swaps and interest rate guarantees.

The Swap Guarantor

Morgan Stanley, a corporation incorporated in the State of Delaware, is the Swap Guarantor. In providing services in this capacity, the Swap Guarantor is acting through its office at 1585 Broadway, New York, New York 10036.

The Swap Guarantor is a global financial services firm which combines global investment banking services (including the origination of underwritten public offerings and mergers and acquisitions advice) with institutional sales and trading activities and provides investment and global asset management products and services and, through its Discover Card brand, consumer credit products. The Swap Guarantor will guarantee the payment obligations of the Swap Provider in respect of the Swap Transactions.

As at the date of this Offering Circular, the long-term, unsecured, unsubordinated debt obligations of the Swap Guarantor are rated "AA-" by Fitch, "Aa3" by Moody's and "A+" by S&P, and the short-term, unsecured, unsubordinated debt obligations of the Swap Guarantor are rated "F1" by Fitch, "P-1" by Moody's and "A-1" by S&P.

The Liquidity Facility Provider

Barclays Bank PLC, a public limited company incorporated in England and Wales (registered number 1026167), is the Liquidity Facility Provider. In acting as Liquidity Facility Provider, Barclays Bank PLC is acting through its branch located at 54 Lombard Street, London EC3V 9EX.

The Liquidity Facility Provider is engaged in the business of providing commercial banking services, including providing credit facilities similar to the facilities provided by it pursuant to the Liquidity Facility Agreement.

As at the date of this Offering Circular, the long-term, unsecured, unsubordinated debt obligations of the Liquidity Facility Provider are rated "AA+" by Fitch, "Aa1" by Moody's and "AA" by S&P, and the short-term, unsecured, unsubordinated debt obligations of the Liquidity Facility Provider are rated "F1+" by Fitch, "P-1" by Moody's and "A-1+" by S&P.

The French Issuer and its Related Parties

The French Issuer

ELoC France 1 FCC, a *fonds commun de créances*, will be governed by the provisions of Articles L.214-5. L214-43 to L.214-49 and L.231-7 of the French *Code monétaire et financier* (formerly Law No. 88-1201 of 23rd December, 1988 relating to collective investment schemes and the creation of debt mutual funds), by the Decree and by the French Issuer Regulations, will be the French Issuer.

The French Issuer will be established on the Closing Date for the purpose of acquiring the French Issuer Assets and issuing the French Units, as well as entering into transactions incidental to such activities. The French Issuer will not acquire any further assets in the future, other than assets incidental or related to the French Issuer Assets.

For further information about the French Issuer, see "The Intermediate Assets – The French Units – The French Issuer" at page 122.

The French Issuer Management Company

Eurotitrisation, a s*ociété anonyme,* whose registered office is at 20, rue Chauchat, 75009 Paris, France, and which is registered with the Trades and Companies Register (*Registre de Commerce et des Sociétés de Paris*) under number Paris B352 458 368, is the French Issuer Management Company.

The French Issuer Management Company is engaged in the business of managing FCCs.

For further information about the French Issuer Management Company, see "The Intermediate Assets – The French Units – The French Issuer Management Company" at page 122.

The French Issuer Custodian

CDC Finance – CDC IXIS, a *société anonyme,* whose registered office is at 26 rue Neuve Tolbiac, 75658 Paris, France, Cedex 13, and which is registered with the Trades and Companies Register (*Registre de Commerce et des Sociétés de Paris*) under number Paris B335 128 898, is the French Issuer Custodian.

The French Issuer Custodian is engaged in the business of, among other things, providing custodial services to the French Issuer in accordance with the French *Code monétaire et financier*.

For further information on the French Issuer Custodian, see "The Intermediate Assets – The French Units – The French Issuer Custodian" at page 123.

The French Issuer Servicer

MSDW Bank is the French Issuer Servicer, but has entered into a contract with MSMS pursuant to which MSDW Bank has subcontracted to MSMS, in its capacity as sub-servicer, the obligations of the French Issuer Servicer. The incorporation and ownership details of MSMS are stated above under "The Originator and its Related Parties – The Irish Loan Security Trustee".

The French Issuer Operating Bank and the French Issuer Cash Manager

CDC Finance – CDC IXIS, a *société anonyme*, is the French Issuer Operating Bank and the French Issuer Cash Manager. The incorporation details of the French Issuer Operating Bank and the French Issuer Cash Manager are stated above under "The French Issuer Custodian".

The French Issuer Operating Bank has agreed to provide certain services in relation to the opening and operation of the French Issuer Transaction Account and the French Issuer Cash Manager has agreed to provide certain investment services in respect of amounts standing to the credit of the French Issuer Transaction Account.

As at the date of this Offering Circular, the long-term, unsecured, unsubordinated debt obligations of the French Issuer Operating Bank are rated "Aaa" by Moody's and "AAA" by S&P, and the short-term, unsecured, unsubordinated debt obligations of the French Issuer Operating Bank are rated "P-1" by Moody's and "A-1+" by S&P.

The Irish Issuer and its Related Parties

The Irish Issuer

ELoC Ireland 1 Limited, a private limited liability company incorporated in Ireland (registered number 371744), is the Irish Issuer.

The purpose for which the Irish Issuer was established initially was to acquire the Irish Issuer Assets and to issue the Irish Notes as well as to enter into certain ancillary transactions. The Irish Issuer may, in the future, issue notes other than the Irish Notes and acquire assets other than the Irish Issuer Assets. Any such further notes will be discrete issuances, secured over segregated collateral pools. The Irish Issuer Assets will not stand or be offered as collateral for any such further issue of notes.

For further information on the Irish Issuer, see "The Intermediate Assets – The Irish Notes – The Irish Issuer" at page 126.

Irish Issuer Servicer

MSMS is the Irish Issuer Servicer. The incorporation and ownership details of MSMS are stated above under "The Originator and its Related Parties – The Irish Loan Security Trustee".

Irish Issuer Security Trustee

MSMS is the Irish Issuer Security Trustee.

Irish Issuer Shareholder

SFM Corporate Services Limited is the Irish Issuer Shareholder. The incorporation details of the Irish Issuer Shareholder are stated above under "Corporate Servicer Provider".

Irish Issuer Corporate Services Provider

Structured Finance Management (Ireland) Limited, a company incorporated in Ireland (registered number 331206) with its registered office at Trinity House, Charleston Road, Ranelagh, Dublin 6, Ireland is the Irish Issuer Corporate Services Provider.

The Irish Issuer Corporate Services Provider is engaged in, among other things, providing administrative and managerial services to issuers of capital market debt instruments similar to the Irish Issuer.

The Irish Issuer Operating Bank

HSBC Bank plc is the Irish Issuer Operating Bank. In providing services in this capacity, the Irish Issuer Operating Bank is acting through its branch at 20-22 Lower Hatch Street, Dublin 2.

The Irish Issuer Operating Bank is engaged in the business of providing commercial banking services and will, in connection with the issuance of the Irish Notes, maintain the Irish Issuer Transaction Account.

The Belgian Issuer and its Related Parties

The Belgian Issuer

Fortress Finance (Belgium) S.P.R.L., a *société privée à responsabilité limitée* incorporated in Belgium (registered number Brussels no. 664,011) with its registered office at c/o CB Richard Ellis, Avenue Louise 240, B-1050 Brussels, Belgium, is the Belgian Issuer.

The sole purpose for which the Belgian Issuer was established was the issuance of negotiable financial instruments similar to the Belgian Bonds as well as to enter into certain ancillary transactions.

For further information on the Belgian Issuer, see "The Originated Assets – The Belgian Bonds" at page 106.

The Belgian Security Agent

MSDW Finance (Netherlands) B.V., a *besloten vennootschap* incorporated under the laws of The Netherlands, with its registered office at Locatellikade 1, 1076 AZ Amsterdam, The Netherlands, is the Belgian Security Agent.

The Belgian Security Agent is engaged in the business of, among other things, providing agency services in the context of the issuance of capital market debt instruments similar to the Belgian Bonds pursuant to agreements similar to the Belgian Security Agreements. Its sole activity is to act as Belgian Security Agent in connection with the Belgian Bonds.

The Belgian Property Owning Companies

Beta Invest S.P.R.L., Alfa Invest S.P.R.L., Centrum Invest S.P.R.L., Melodicum S.P.R.L., Polytrophys S.P.R.L., Seminole S.P.R.L. and Trealen S.P.R.L., each a *société privée à responsabilitie limitée* incorporated in Belgium and each with its registered office at c/o C B Richard Ellis, Avenue Louise 240, 1050 Brussels, Belgium are the Belgian Property Owning Companies.

Each of the Belgian Property Owning Companies (other than Beta Invest S.P.R.L.,) is substantially owned by Beta Invest S.P.R.L., which is, in turn, substantially owned by the Belgian Issuer. Each of the Belgian Property Owning Companies is therefore an affiliate of the Belgian Issuer within the meaning of the Belgian Company Code. Each of the Belgian Property Owning Companies is engaged in the business of owning certain of the Belgian Properties.

For further information on the Belgian Companies see "The Originated Assets – The Belgian Bonds" at page 106.

Belgian Issuer's Shareholders

The Belgian Security Agent, Karl S.A. and Monterrey B.V. are the Belgian Issuer's Shareholders. Karl S.A. is a *société anonyme* incorporated in Belgium with its registered office at c/o CB Richard Ellis, Avenue Louise 240, 1050 Brussels, Belgium and Monterrey B.V. is a *besloten venootschap* incorporated in The Netherlands with its registered office at Oranjestraat 4, NL-2514 JB Den Haag, The Netherlands.

THE ORIGINATED ASSETS

The Origination Process

The Originated Assets have been originated by MSDW Bank (and in the case of the Belgian Bonds, by both MSDW Bank and Morgan Stanley & Co. Incorporated) between May 2001 and July 2003. The Originated Assets comprise, among other things, five French Loans, two Irish Loans and the Belgian Bonds.

As described further below, there are structural differences between each of the Originated Assets, reflecting both the legal requirements of the various jurisdictions in which the relevant real properties are situated (the "**Relevant Jurisdictions**") and the commercial requirements of the parties involved in the origination of the Originated Assets. These differences notwithstanding, in originating the Originated Assets, MSDW Bank has adhered to a consistent origination philosophy and approach, qualified, to the extent required, by the laws and commercial practices of each of the Relevant Jurisdictions.

The following description relates to MSDW Bank's origination philosophy and approach in general. Although it refers throughout to "loans", the same origination process and approach were applied to the origination of the Belgian Bonds.

Lending Criteria

Lending Philosophy

MSDW Bank is engaged in the business of, among other things, making loans secured directly or indirectly by commercial real properties such as office properties, retail properties, industrial properties and warehouse properties. Such real properties are intended to generate a regular periodic income, most usually from rental payments made by occupational tenants pursuant to occupational lease arrangements.

MSDW Bank's decision to make a loan is based on an analysis of the contracted periodic income generated or expected to be generated by the relevant real property pursuant to the terms of the occupational leases granted in respect of that property or expected to be granted in view of the overall quality of that property. In deciding whether to make a loan, MSDW Bank assesses the risks relating to the periodic income generated by the relevant real property and the risk of refinancing the principal amount due upon maturity of the loan, if any. Further, in deciding to make a loan in any particular jurisdiction, MSDW Bank considers, together with its external legal advisers, the legal environment in such jurisdiction and how this will impact on its ability to recover the interest on and the principal of a loan made by it in such jurisdiction, particularly following the occurrence of a default. The plans and strategy for the use of the relevant real property, as well as the real property investment experience and expertise of the relevant borrower's sponsors both generally and within the context of a particular jurisdiction, are also factors which MSDW Bank considers when deciding whether to make a loan.

Types of Borrower

In order to minimise the risk that the borrower to which it makes a loan is or will become insolvent at any time prior to the repayment of the loan, MSDW Bank typically, but not invariably, requires the borrower to have been established as an "insolvency remote" special purpose company.

The borrower of a loan made by MSDW Bank will often be established contemporaneously with the loan being made and thus will not have any pre-existing liabilities, actual or contingent. Further, the activities of the borrower will be restricted, both through appropriate negative covenants in the documentation relating to the loan and, in certain cases, through appropriate restrictions in its constitutional documents, to acquiring, financing, holding and managing the relevant real property, so as to ensure that its exposure to liabilities is minimised to those relating to the loan and real property.

If, for whatever reason, it is not possible to prescribe that the borrower of a loan take such form, MSDW Bank will seek to satisfy itself of the borrower's solvency by requiring that suitably qualified professional advisers conduct a rigorous due diligence exercise in respect of it relating, in particular, to its pre-existing liabilities, both actual or contingent (including its general commercial liabilities, tax liabilities, employee-related liabilities, litigation-related liabilities or liabilities relating to the relevant real property itself (such as environmental liabilities)) and by controlling its ability to create further liabilities on a going-forward basis through appropriate negative covenants and, in certain cases, restrictions in its constitutional documents.

If and insofar as the borrower has any debt obligations other than the loan made by MSDW Bank, these will typically be subordinated to the loan through contractual subordination or inter-creditor arrangements,

particularly if such debt obligations are secured by any of the assets of the borrower which constitute security for the loan.

In respect of certain loans originated by MSDW Bank, the owner of the relevant real property will not be the borrower. In relation to such loans, MSDW Bank will seek to ensure that the relevant real property is owned by an entity which is substantially similar in nature to MSDW Bank's typical borrower and will also seek to undertake the same level of due diligence and to exercise the same level of control over the relevant entity through contractual restrictions and/or restrictions in its constitutional documents.

It should be noted that, notwithstanding its normal requirements in respect of borrowers, from time to time MSDW Bank will make loans to individuals acting independently or jointly.

Security

MSDW Bank aims to ensure that the loans it originates are secured both by the relevant real property and by the cash-flow generated by such real property, which is typically a stream of contractual rental payments under the related occupational lease arrangements. The security package in respect of a loan will typically, but not invariably, include a first-ranking mortgage over the relevant real property and a first-ranking security interest in respect of the relevant rental payments. Where security is taken, MSDW Bank will seek to ensure that the security created is fully perfected in accordance with any applicable law.

In addition to the above, security may also be taken over other assets of the borrower. MSDW Bank will seek to ensure that such security is also first-ranking and fully perfected. As regards bank accounts, MSDW Bank will typically require that the collection of rental payments be structured in a particular manner, designed to maximise the efficacy of the security interests taken over the rental payments, the relevant bank accounts and the amounts standing to the credit thereof. In most instances, the borrower will have a pre-existing arrangement with the tenants of the relevant property whereby rental payments are credited to an account of the borrower or a managing agent. If that account is a non-commingled account (i.e. it is used to collect only the rental payments) over which MSDW Bank can obtain control, it will usually take security over that account. However, if that bank account is a commingled account (i.e. it is used to collect amounts other than just the rental payments attributable to the property the subject of MSDW Bank's loan) and the borrower requires control over it in order to make other payments, MSDW Bank will typically require that the rental payments be swept promptly upon receipt to a non-commingled account over which it will take security or which will be in the name of MSDW Bank or an affiliate of MSDW Bank.

In some instances, MSDW Bank requires that the shareholders of the borrower grant a security interest over their respective shareholdings in the borrower so that MSDW Bank can, if necessary, obtain control over the borrower by exercising rights granted in respect of the shares. By taking such control, MSDW Bank could seek to influence the management by the borrower of the relevant real property. Further, if the creditworthiness of the borrower and/or the value of the relevant real property is regarded as insufficient by MSDW Bank, MSDW Bank may require that the obligations of the borrower under the loan be supported by way of a third party guarantee, indemnity, letter of credit or similar instrument.

While MSDW Bank is consistent in the types of security interests it seeks in respect of any loan made by it, the relative importance of a particular type of security may vary depending on the circumstances of any particular loan, including the requirements of the jurisdiction in which such security interests would be enforced.

Advance Level

MSDW Bank normally advances loans having a principal amount of between £0.5 million and £500 million (or the equivalent thereof in euro). MSDW Bank normally advances loans up to a maximum of 85 per cent. of the valuation (as determined by independent professional valuers) of the underlying real property or properties financed at the time of origination of its loan. These parameters are not, however, adhered to in all instances.

Purpose of the Loan

Generally, the borrowers of the loans made by MSDW Bank use the proceeds thereof to acquire or refinance the relevant real property which constitutes security for the loan, or to acquire the share capital in other companies owning such real property. MSDW Bank does not, however, typically make loans for the purposes of financing construction or development of real property.

Repayment Terms

The term of loans typically made by MSDW Bank may be between one and thirty years, although the majority of loans originated by MSDW Bank have a term of between five and eight years. Loans may be "interest only" or have defined principal repayment schedules. The principal repayment schedule of a loan is structured to take account of the profile of the contractual rental income which MSDW Bank anticipates that the relevant real property will generate over the term of the loan and the anticipated realisable value of such real property at the maturity of the loan. To the extent that a loan does not fully amortise by its scheduled maturity date, the borrower will be required to make a final bullet repayment.

In general, loans made by MSDW Bank may be voluntarily prepaid by the borrowers thereof. Such prepayment is usually contingent upon the payment of a prepayment fee. Under certain circumstances, MSDW Bank will require mandatory prepayment of loans made by it. The most common circumstances in which MSDW Bank requires mandatory prepayment is in the event of the relevant property being sold or if it becomes unlawful for MSDW Bank or its assigns to continue to fund the loan.

Insurance

In making a loan, MSDW Bank places considerable importance on the insurance arrangements which exist with respect to the relevant real property. MSDW Bank will expect, to the extent it is possible in the context of a particular jurisdiction, each borrower to effect or procure, prior to a loan being drawn, that the following types of insurance cover are in place:

(a) insurance of the relevant real property, including fixtures and improvements, on a full reinstatement basis, with insurance for not less than three years' loss of rent;

(b) insurance against third party liabilities;

(c) insurance against acts of terrorism, which coverage includes loss of rent on the relevant real property for a minimum of three years as well as rebuilding costs; and

(d) such other insurance as a prudent company in the business of the relevant borrower would effect.

MSDW Bank will also expect the borrower to grant some form of legal interest to MSDW Bank, or any person (such as MSMS) who holds security interests granted for the benefit of MSDW Bank, in any insurance policy obtained by it. Market practice in each jurisdiction in which MSDW Bank originates loans will differ with respect to the nature of the insurance to be obtained and how, as a matter of law, a satisfactory legal interest in such insurances can be granted to MSDW Bank or any security trustee or security agent, for the benefit of MSDW Bank, and MSDW Bank will take this into account in formulating its requirements.

Property Expenses

In making a loan, MSDW Bank also considers the income generated by and the expenses to be incurred in respect of the relevant real property. The expenses which can be incurred in respect of a real property include, most significantly, property taxes and capital expenditure which must be incurred in order to maintain the property in a state of good order or in some cases to enhance the property. Given that cash-flow available to a borrower is typically limited to that which is generated by the relevant property, MSDW Bank seeks to confirm, as part of the origination process, that all necessary expenses can be met out of such cash-flow without the borrower's ability to pay interest on or repay the principal of a loan being compromised. MSDW Bank will, in connection with the above analysis, require the borrower to produce an estimated budget of property related expenses.

Legal Due Diligence

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

General Information

In originating a loan in any jurisdiction, MSDW Bank will appoint duly qualified and experienced legal advisers (the "**External Legal Advisers**"). The External Legal Advisers will assist MSDW Bank in undertaking due diligence with respect to certain matters relating to the proposed loan. These matters include the background of the borrower and its exposure to other liabilities, actual or contingent, the structure of the

loan and related security package and the title of the borrower or other relevant entity to the relevant real property or real properties.

Property Title Investigation

An important part of the legal due diligence process undertaken by the External Legal Advisers is to verify that the prospective borrower or other relevant entity has or, if the relevant real property is being purchased using the proceeds of the loan, will have, good title to the relevant real property, free from any encumbrances or other matters which would be considered to be of a material adverse nature from the perspective of MSDW Bank. The process of title verification is different in each jurisdiction in which MSDW Bank makes loans. However, in undertaking such title verification process, MSDW Bank requires its External Legal Advisers to adopt a standard consistent with what the relevant External Legal Advisers consider to be best practice in the relevant jurisdiction, and with the quality of information available in that jurisdiction.

The title verification process will typically involve the External Legal Advisers undertaking or, in certain jurisdictions, procuring that a notary public undertakes, searches of various public records relating to the relevant real property, reviewing documents relating to title to the relevant real property and raising various enquiries relating to the relevant real property. MSDW Bank will typically, but not invariably, require its External Legal Advisers to prepare or obtain from suitably qualified legal advisers acting for the borrowers a report on matters relating to title to the relevant real property, which report must be in form and substance reasonably satisfactory to MSDW Bank. However, the form of report on title, even if obtained, may vary in accordance with the practice of the relevant jurisdiction.

Capacity of Borrower

In relation to any borrower that is a body corporate, the External Legal Advisers will satisfy themselves that the relevant entity is validly incorporated, has sufficient power and capacity to enter into the proposed transaction, whether it is the subject of any insolvency proceedings and generally that any formalities required to enter into the proposed transaction with MSDW Bank have been completed (or would be completed by the drawdown date of the loan). If and insofar as the relevant real property is owned by an affiliate of the borrower, the External Legal Advisers will undertake similar due diligence in respect of the relevant affiliate.

Structural/Environmental Reports

Reports relating to the structure or construction of a property are not usually obtained by MSDW Bank in originating a loan nor are specific environmental surveys or enquiries undertaken unless it is thought appropriate in any particular instance to do so or unless the borrower, as part of its own due diligence, obtains such reports and agrees to provide them to MSDW Bank.

Reliance on Legal Due Diligence

The legal due diligence referred to above is in each case addressed to MSDW Bank. It will not be updated prior to the sale of the relevant loans by MSDW Bank for the purposes of undertaking a securitisation, nor will any due diligence report, valuation report or report on title delivered on origination of a loan be re-addressed either to the issuer or the trustee in the context of any securitisation in which MSDW Bank may be involved.

Drawdown and Post-Completion Formalities

The actual drawing of a loan is contingent upon the satisfaction by the borrower of certain conditions precedent. The conditions precedent required by MSDW Bank are typically extensive, including delivery of reports on title to the relevant real property, valuation reports in relation to the relevant real property, corporate authorisation documents in respect of the borrower (if a body corporate), and all necessary authorisations and consents that the borrower must obtain before it can draw a loan, in each case in form and substance satisfactory to MSDW Bank.

Following drawdown, it is usually the case that various registration formalities have to be undertaken with respect to the security interests granted in respect of a loan. The External Legal Advisers are required by MSDW Bank to undertake, or ensure that the relevant borrower's legal counsel undertakes, such formalities within the prescribed time period so that the relevant security interests are registered in accordance with all applicable laws.

Against this background, the following description relates to each of the Originated Assets. The descriptions do not contemplate, unless specifically stated, the transfer of the Originated Assets from MSDW Bank to any of the French Issuer, the Irish Issuer or the Issuer, as the case may be. The terms of certain of the

documents relating to the Originated Assets were amended following the execution thereof. The descriptions contained herein contemplate such amendments.

The French Issuer Assets

The French Loans were made pursuant to the following five French Loan Agreements:

(a) a French Loan Agreement dated 2nd August, 2002, which was entered into between the Originator and SNC Parc des Corvettes (the "**SNC Parc des Corvettes Loan**" and the "**SNC Parc des Corvettes Loan Agreement**", as the case may be);

(b) a French Loan Agreement dated 29th October, 2002, which was entered into between the Originator and CEREP Montrouge 1 and CEREP Montrouge 2 (the "**CEREP Montrouge Loan**" and the "**CEREP Montrouge Loan Agreement**", as the case may be);

(c) a French Loan Agreement dated 11th December, 2002, which was entered into between the Originator and SNC Josas (the "**SNC Josas Loan**" and the "**SNC Josas Loan Agreement**", as the case may be);

(d) a French Loan Agreement dated 18th December, 2002, which was entered into between the Originator and the First Principal Borrower (the "**EFP Elancourt Loan**" and the "**EFP Elancourt Loan Agreement**" as the case may be); and

(e) a French Loan Agreement dated 17th July, 2003 which was entered into between the Originator and the Second Principal Borrower (the "**CEREP Carillon Loan**" and the "**CEREP Carillon Loan Agreement**" as the case may be).

The French Loan Agreements are all governed by French law.

Contemporaneously with entering into the French Loan Agreements, the French Borrowers, certain officials of the French Borrowers and the Originator entered into certain security agreements (the "**French Security Agreements**" and together with the French Loan Agreements, the "**French Finance Documents**") creating the French Related Security. The French Security Agreements are also governed by French law.

In addition to the French Finance Documents, the French Borrowers each entered into loan agreements with certain of their affiliates which provided additional debt finance to the French Borrowers (the "**French Subordinated Loan Agreements**"). Payment of amounts owing in respect of the French Subordinated Loan Agreements are expressly subordinated to payments of amounts owing in respect of the French Finance Documents.

For further information on the First Principal Borrower see "Appendix 1 – The First Principal Borrower" at page 274.

For further information on the Second Principal Borrower see "Appendix 2 – The Second Principal Borrower" at page 276.

For further information about the French Security Agreements, see page 98 below.

Principal Amount of the French Loans

Each French Loan was drawn by the relevant French Borrower on the following date and for the following principal amounts:

(a) SNC Parc des Corvettes Loan: 2nd August, 2002, the principal amount drawn being ε10,500,000;

(b) CEREP Montrouge Loan: 29th October, 2002, the principal amount drawn being ε25,400,000;

(c) SNC Josas Loan: the SNC Josas Loan Agreement permitted this loan to be drawn in two tranches. The first tranche was drawn on 11th December, 2002 in an amount of ε5,000,000 and the second tranche was drawn on 6th May, 2003 in an amount of ε1,500,000;

(d) EFP Elancourt Loan: 18th December, 2002, the principal amount drawn being ε83,500,000; and

(e) CEREP Carillon Loan: 17th July, 2003, the principal amount drawn being ε67,575,000.

As at the Cut-Off Date, the aggregate principal amount outstanding in respect of the French Loans is ε190,327,692. No further advances are required to be made in respect of any French Loan.

Purpose of the French Loans

The SNC Parc des Corvettes Loan, the SNC Josas Loan, the EFP Elancourt Loan and the CEREP Carillon Loan were made for the primary purpose of enabling the relevant French Borrower to refinance loans originally made to it to fund the acquisition of the relevant French Properties. The CEREP Montrouge Loan was made for the primary purpose of enabling the relevant French Borrowers to acquire the relevant French Properties.

Each French Property is an office building located in the Ile-de-France region of France. Thus, the French Borrower in respect of the SNC Parc des Corvettes Loan (SNC Parc des Corvettes) refinanced the acquisition of an office building located in Colombes using the proceeds of the SNC Parc des Corvettes Loan, the French Borrowers in respect of the CEREP Montrouge Loan (CEREP Montrouge 1 and CEREP Montrouge 2 respectively) each purchased an office building located in Montrouge using the proceeds of the first and second tranche of the CEREP Montrouge Loan, the French Borrower in respect of the SNC Josas Loan (SNC Josas) refinanced the acquisition of an office building located at Jouy en Josas using the proceeds of the SNC Josas Loan, the French Borrower in respect of the EFP Elancourt Loan (the First Principal Borrower) refinanced the acquisition of an office building located at Elancourt using the proceeds of the EFP Elancourt Loan, and the French Borrower in respect of the CEREP Carillon Loan (the Second Principal Borrower) refinanced the acquisition of an office building located in Nanterre using the proceeds of CEREP Carillon Loan.

Each French Property other than the Charles de Gaulle building in Montrouge, which is owned by CEREP Montrouge 2, is at least partially let to one or more tenants, pursuant to one or more lease agreements, (collectively, the "**French Leases**", and each a "**French Lease**"). The French Property owned by SNC Parc des Corvettes is partially let to SNCF Participations, an affiliate of the national railway company owned by the French State; the French Property owned by SNC Josas is fully let to THALES, a major electrical systems and electronics company listed on the regulated market in France and partially owned by the French State; the French Property owned by the First Principal Borrower is also fully let to THALES; the French Property owned by CEREP Montrouge 1 is let to SEMA/Taylor Nelson Sofres, a major company listed on the London Stock Exchange, and the French Property owned by the Second Principal Borrower is let to Compagnie Générale des Eaux, a leading European waste service company with worldwide operations, and a subsidiary of Veolia Environment. Each of the lessees of a French Property is referred to in this offering circular as a "**French Lessee**".

Payment of Interest

Interest on each of the French Loans is payable in arrear on the 5th day of February, May, August and November in each year, except for the CEREP Carillon Loan in respect of which interest is payable on the 31st January, the 30th April, the 31st July, the 30th October in each year (each a "**French Loan Interest Payment Date**"). The rate of interest applicable to each French Loan is the sum of a fixed rate and a margin, such rate having been notified by the Originator to the relevant French Borrower prior to its French Loan being drawn.

Repayment of Principal

The principal amount outstanding of each French Loan is repayable by the relevant French Borrower in full on its scheduled maturity date, being 5th August, 2004 for the SNC Parc des Corvettes Loan, 5th November, 2007 for the CEREP Montrouge Loans, 5th February, 2010 for the SNC Josas Loan, 5th November, 2009 for the EFP Elancourt Loan and 31st July, 2007 for the CEREP Carillon Loan.

In addition, on each French Loan Interest Payment Date occurring after 5th February, 2003 for the CEREP Montrouge Loans, 5th February, 2003 for the SNC Josas Loan, 5th February, 2003 for the EFP Elancourt Loan and 31st January, 2004 for the CEREP Carillon Loan, the relevant French Borrower is required to repay in part the principal amount outstanding of the relevant French Loan. No such partial repayments of principal are required in respect of the SNC Parc des Corvettes Loan, which is an "interest only" loan. The scheduled principal amounts repayable during the term of the French Loans (other than the SNC Parc des Corvettes Loan) are, however, relatively small percentages of the principal amount of each such French Loan; the scheduled principal amount repayable on the scheduled maturity date of each such French Loan is, in most cases, in excess of 80% of the original principal loan amount.

In addition to the obligation of each French Borrower to repay the principal amount of its French Loan in full on its scheduled maturity date or (save in respect of the SNC Parc des Corvettes Loan) in part on the specified French Loan Interest Payment Dates, each French Borrower:

(a) may, under certain circumstances, make voluntary prepayments, in full or in part, of the principal amount outstanding of its French Loan; and

(b) must, under certain circumstances, make mandatory prepayments, in full or in part, of the principal amount outstanding of its French Loan.

Each French Borrower may make voluntary prepayments in full or in part of the principal amount outstanding of its French Loan on any French Loan Interest Payment Date. The minimum amount of any such prepayment must, however, be ε1,000,000 and the amount prepaid by the French Borrower must be in multiples of ε500,000, except in the cases of the SNC Parc des Corvettes Loan, where the minimum amount of such prepayment must be ε500,000, the SNC Josas Loan, where the minimum amount of such prepayment must be ε250,000 and the CEREP Carillon Loan, where the minimum amount of such prepayment must be ε300,000, and the amount prepaid by CEREP Carillon must be in multiples of ε300,000. Each French Borrower may also make a voluntary prepayment in full of the principal amount outstanding of its French Loan if it is required to deduct from any payment made in respect of its French Loan any amount for or on account of any tax, and is consequently required to "gross-up" a payment to the Lender so that the Lender under the credit agreement receives a net amount equal to the amount it would have received but for such deduction, or if the French Borrower is required to pay to the Lender any additional costs incurred by the Lender as a result of the French Loan having been made.

Each French Borrower must make a mandatory prepayment in full of the principal amount outstanding of its French Loan if it sells its French Property. Save in respect of the EFP Elancourt Loan, the French Borrower must also make a mandatory prepayment in full of the principal amount outstanding of its French Loan if its French Property is damaged to a degree that jeopardises the right of the French Borrower to realise and receive the anticipated Rental Income in respect thereof. In addition, with respect to the CEREP Carillon Loan, the French Borrower must also make mandatory prepayment as at 30th June, 2004 of ε5,000,000 if vacant space results in aggregate contracted annual rental income of less than or equal to ε1,225,000; of ε4,000,000 if vacant space results in aggregate contracted annual rental income of between ε1,225,000.01 and ε1,425,000; and of ε3,000,000 if vacant space results in aggregate contracted annual rental income of between ε1,425,000.01 and ε1,620,000.

If any French Borrower makes a voluntary prepayment or a mandatory prepayment of the principal amount outstanding of its French Loan, it may be required to pay certain prepayment fees to the Lender. No such prepayment fees are payable on any of the French Loans if the prepayment is made during the final year prior to maturity. Further, no such prepayment fees are payable under the CEREP Montrouge Loan Agreement, if the prepayment is made by the relevant French Borrower in the period between 5th November, 2006 and the stated maturity date of the CEREP Montrouge Loan (being 5th November, 2007); nor under the SNC Josas Loan Agreement if the prepayment is made by the relevant French Borrower in the period between 6th November, 2008 and the stated maturity date of the SNC Josas Loan (being 5th February, 2010); nor under the CEREP Carillon Loan Agreement if the prepayment is made by the French Borrower in the period between the last French Loan Payment Date occurring in July 2006 and the stated maturity date of the CEREP Carillon Loan (being 31st July, 2007).

Bank Accounts

Each French Borrower or, if a managing agent has been appointed by a French Borrower in accordance with the relevant French Loan Agreement (each a "**French Property Manager**"), the relevant French Property Manager, has opened a bank account in its own name (a "**French Borrower Account**" or a "**French Property Manager Account**", as applicable). All amounts owing to a French Borrower or French Property Manager, as applicable, in respect of a French Property including, without limitation, Rental Income in respect of the French Properties, are to be paid directly into the relevant French Borrower Account or French Property Manager Account. Rental payments credited to a French Borrower Account or a French Property Manager Account are (except in the case of two French Loans, for amounts paid in respect of VAT) retained in that account until the balance on that account is sufficient to pay all charges and expenses forecast in the annual budget prepared by the applicable French Borrower to be incurred on or with respect to the applicable French Property during the then current interest period under the applicable French Loan Agreement. Once the balance on the French Borrower Account or the French Property Manager Account, as applicable, is sufficient to cover the budgeted charges and expenses, all further amounts received in respect of rent into such account during the then current interest period are required to be paid to the "**French Rent Account**" established in the name of the Originator (and to be transferred to the French Issuer on the Closing Date), in most cases within one business day of receipt thereof.

In the case of two of the French Loans, each portion of a rental payment allocable to payment of VAT is required to be transferred immediately upon receipt thereof into a separate account, each a "**French Borrower**

VAT Account". In the case of the French Properties owned by EFP Elancourt, CEREP Montrouge 1 and CEREP Montrouge 2 and CEREP Carillon, VAT liabilities are paid out of the French Borrower Accounts.

Amounts standing to the credit of a French Rent Account constitute cash collateral (*gage-espèces*) in favour of the Lender to the extent of the amounts due from the relevant French Borrower under its French Loan Agreement.

On each French Loan Interest Payment Date, the Lender will apply the amounts standing to the credit of each French Rent Account to make payments of interest on and repayments of principal, if any, on the corresponding French Loan and all other amounts then due and owing to the Lender under that French Loan Agreement. Once the required payments of interest, principal and other amounts are made, any remaining amount then standing to the credit of the relevant French Rent Account will be released, subject to certain conditions precedent to the release of such funds being met, to the relevant French Borrower by transferring such amount to another account opened for such purpose in the name of the relevant French Borrower (the "**French Available Cash Account**"). Each French Borrower has granted a pledge over its French Borrower Account and, where relevant, its French Borrower VAT Account, for the benefit of the Originator.

All of the French Rent Accounts are to be transferred to the French Issuer Operating Bank and re-established in the name of the French Issuer on the Closing Date, whereupon, amounts standing to the credit of the relevant French Rent Account will constitute cash collateral (*gage-espèces*) in favour of the French Issuer to the extent of the amounts due from the relevant French Borrower or French Borrowers (in the case of CEREP Montrouge 1 and CEREP Montrouge 2) under the relevant French Loan Agreement. On each French Loan Interest Payment Date falling after the Closing Date, the French Issuer (or the French Issuer Management Company on its behalf) will apply the amounts standing to the credit of each French Rent Account to make payments of interest on and repayments of principal, if any, on the corresponding French Loan and payment of any other amounts then due and owing to the French Issuer under the French Loan Agreement by paying the same into the French Issuer Transaction Account. Any amounts remaining standing to the credit of the relevant French Rent Account on a French Loan Interest Payment Date after the application of funds described above will be, subject to meeting certain conditions precedent to the release of such amounts, be released to the relevant French Available Cash Account.

The French Issuer will thus obtain the benefit of pledges over the French Borrower Accounts from the Closing Date.

Representations and Warranties

Each of the French Loan Agreements contains various representations and warranties given by the relevant French Borrower. These representations and warranties were given on the date of the relevant French Loan Agreement and are deemed to have been, or to be, repeated on the date the relevant French Borrower sought to draw the French Loan to be made to it, on the date the French Borrower actually drew the French Loan made to it and on each French Loan Interest Payment Date, in each case, with reference to the facts and circumstances then prevailing.

The representations and warranties contained in each of the French Loan Agreements, which are given by the relevant French Borrower in respect of itself only, include statements to the following effect:

(a) the French Borrower is a *société en nom collectif* (in the case of SNC Parc des Corvettes and SNC Josas) or a *société par actions simplifiée* (in the case of the First Principal Borrower) or a *société à responsabilité limitée* (in the case of CEREP Montrouge 1, CEREP Montrouge 2 and the Second Principal Borrower), in each case duly incorporated and validly existing under the laws of France, with power to own its assets and carry on its business as it is being conducted.

For a description of the legal nature of each of the foregoing types of legal person or body corporate, see "Certain Matters of French Law" at page 160.

(b) the French Borrower has the power to enter into, perform and deliver and has taken all necessary action to authorise the entry into, performance and delivery of the relevant French Finance Documents;

(c) no event of default is outstanding or would result from the making of the relevant French Loan and there is no litigation or other proceedings current, pending or threatened which if adversely determined might have a material adverse effect on the performance of the French Borrower's obligations in respect of its French Loan;

(d) the documents remitted to the Originator in connection with the French Finance Documents are complete and contain no inaccurate or misleading information;

(e) following the drawing of the relevant French Loan, the French Borrower shall be the full title owner of the relevant French Property free from any adverse interests or encumbrances;

(f) the relevant French Related Security constitutes first priority security interests of the type described in the relevant French Security Agreements and no other security interest exists over the assets constituting the relevant French Related Security; and

(g) since the date of its incorporation, the French Borrower has only carried on business in connection with its ownership of the relevant French Properties, has not sold or disposed of any asset save as permitted under the relevant French Finance Documents and has not incurred any actual or contingent liabilities which are outstanding or undischarged save as permitted under the relevant French Finance Documents.

Undertakings

Each French Borrower gives various undertakings in its French Loan Agreement. The undertakings, which are, in general, given by each French Borrower in respect of itself only, include the following:

(a) to provide annual audited financial statements for each financial year and quarterly financial statements for each quarter of each financial year, and all other financial information;

(b) immediately, to inform the Lender of the occurrence of any circumstance constituting or which the French Borrower believes may constitute a French Loan Event of Default and any action initiated to remedy the same;

(c) not to grant, without the prior written consent of the Lender, any surety, guarantee or security interest on any of the assets that are the subject of the relevant French Related Security (other than the relevant French Related Security);

(d) not to carry on any business other than the ownership and management of the relevant French Property;

(e) not to exercise any rights which would invalidate or terminate its French Loan Agreement;

(f) not to transfer any assets that are subject to the relevant French Security Interests, without the prior consent of the Lender;

(g) to insure the relevant French Properties against the risk of damage or destruction, third party liabilities, acts of terrorism and such other risks as a prudent owner of similar properties would insure against, including insurance against loss of rent for a period of 36 months;

(h) to comply with its obligations to pay or procure the payment of Rental Income generated by the relevant French Property into a French Borrower Account or a French Property Manager Account, as applicable and transfer the same to the relevant French Rent Account;

(i) to provide to the Lender, as soon as available and in any case within ten calendar days after the end of each interest period relating to the relevant French Loan, a summary of the operation of the relevant French Property for such period, containing the following information:

(i) the tenancy schedule and outstanding payments;

(ii) the development of the marketing policy of the relevant French Property (if applicable);

(iii) a statement of insurance claims which exceed a specified figure, and of any pending actions, suits or proceedings;

(iv) details of proposed capital expenditure to be undertaken with respect to the relevant French Property together with an indication of how such capital expenditure is to be funded; and

(v) any change in the administrative situation of the relevant French Property.

The undertakings of each of the French Borrowers are binding for as long as any amount is outstanding under its French Loan Agreement.

Events of Default

Each of the French Loan Agreements contains various events of default (each a "**French Loan Event of Default**" and together the "**French Loan Events of Default**") entitling the Lender to demand immediate payment of all amounts owing under the relevant French Loan Agreement. The French Loan Events of Default include the following:

(a) the failure to pay on the due date any amount due under the relevant French Finance Documents;

(b) breach of obligations under the relevant French Finance Documents;

(c) any representation, warranty or statement made or repeated in connection with any relevant French Finance Document is incorrect when made or repeated;

(d) the relevant French Borrower is deemed insolvent or unable to pay its debts or other insolvency related acts or events occur in respect of that French Borrower;

(e) the enforcement of a judicial security interest, stay of execution or any protective attachment by any third party on an asset that is part of the relevant French Security Interests occurs; and

(f) the relevant French Borrower ceases or threatens to cease, to carry on all or a substantial part of its business.

Certain of the French Loan Events of Default are subject to applicable cure or grace periods.

The French Related Security

Each French Loan has the benefit of certain security granted by the relevant French Borrower, the shareholder or shareholders of the relevant French Borrower (the "**French Borrower Shareholders**") and (in the case of the CEREP Montrouge Loan and the SNC Josas Loan only) the parent company of the relevant French Borrower Shareholder (the "**Parent Company**"). Given that the security package differs from French Loan to French Loan, the security package granted in respect of each French Loan will be described in turn.

With respect to the SNC Parc des Corvettes Loan, the French Related Security includes:

(a) a lender's privilege on the relevant French Property (*privilège du prêteur de deniers*) up to a principal amount of ε7,003,888.97 (valid until 5th August, 2006), granted by SNC Parc des Corvettes;

(b) a second ranking mortgage on the relevant French Property (*hypothèque conventionnelle de second rang*) up to a principal amount of ε447,056.76 (valid until 5th August, 2006), granted by SNC Parc des Corvettes;

(c) a third ranking mortgage on the relevant French Property (*hypothèque conventionnelle de troisième rang*) up to a principal amount of ε3,049,054.27 (valid until 5th August, 2006), granted by SNC Parc des Corvettes;

(d) a pledge of shares of the relevant French Borrower, granted by the relevant French Borrower Shareholders (*nantissement de parts sociales*);

(e) a pledge of the French Borrower Account (*nantissement du compte d'emprunteur*), granted by SNC Parc des Corvettes;

(f) a cash deposit (*gage-espèces*) made by the relevant French Borrower to the credit of the relevant French Rent Account;

(g) a Dailly Law assignment (*cession Dailly*) of the rents due under the French Leases entered into in respect of the relevant French Property, granted by SNC Parc des Corvettes (such Dailly Law Assignment remaining in force until the acceptance of the assignment referred to in paragraph (h) below);

(h) an assignment (*délégation imparfaite*) of the rights against occupational tenants for the rents payable by them under the French Leases obtained in respect of the relevant French Property, subject to the acceptance of the assignment by the occupational tenants;

(i) an assignment (*délégation imparfaite*) of the rights against the insurance companies for all amounts which are or may become due under the insurance policies taken out by SNC Parc des Corvettes in respect of its French Property; and

(j) a pledge of the claims held by the relevant French Borrower's Shareholders against SNC Parc des Corvettes under the relevant Subordinated Loan Agreement, granted by the relevant French Borrower's Shareholders.

With respect to the CEREP Montrouge Loan, the French Related Security includes:

(a) a lender's privilege on the relevant French Properties (*privilège du prêteur de deniers*) up to a principal amount of ε17,000,000 (valid until 5th November, 2009) for the Barbès Property and up to a principal amount of ε8,400,000 (valid until 5th November, 2009) for the De Gaulle Property, granted by CEREP Montrouge 1 and CEREP Montrouge 2, respectively;

(b) a pledge of shares (by way of a *caution réelle*) of each of CEREP Montrouge 1 and CEREP Montrouge 2, granted by the relevant French Borrower Shareholders (*nantissement de parts sociales*);

(c) a pledge of each French Borrower Account (*nantissement du compte d'emprunteur*), granted by CEREP Montrouge 1 and CEREP Montrouge 2;

(d) a cash deposit (*gage-espèces*) made by CEREP Montrouge 1 and CEREP Montrouge 2 to the credit of the French Rent Account;

(e) a Dailly Law assignment (*cession Dailly*) of the rents due under the French Leases obtained in respect of the relevant French Properties, granted by CEREP Montrouge 1 and CEREP Montrouge 2 (such Dailly Law assignment to remain in force until the acceptance of the assignment referred to in paragraph (g) below);

(f) an assignment (*délégation imparfaite*) of the rights against the occupational tenants for the rents payable by it under the French Leases obtained in respect of the relevant French Properties, subject to the acceptance of the assignment by the occupational tenants;

(g) an assignment (*délégation imparfaite*) of the rights against the insurance companies for all amounts which are or may become due under the insurance policies taken out by CEREP Montrouge 1 and CEREP Montrouge 2 in respect of their French Properties, subject to the acceptance of the assignment by the insurance companies;

(h) a pledge of the claims held by the relevant French Borrower Shareholders against CEREP Montrouge 1 and CEREP Montrouge 2 under the subordinated loan agreements, granted by the relevant French Borrower Shareholders as a *caution réelle*;

(i) a pledge of shares of the relevant French Borrower Shareholders, granted by the relevant Parent Company as a *caution réelle*;

(j) guarantees (*cautionnement personnel et solidaire*), granted by the relevant French Borrower Shareholders in respect of the performance of the obligations of CEREP Montrouge 1 or CEREP Montrouge 2 under the applicable French Loan Agreement and the applicable French Related Security, in an amount equal to the principal amount outstanding under the applicable French Loan together with interest thereon at the rate specified in the applicable French Loan Agreement and any other amounts due from CEREP Montrouge 1 or CEREP Montrouge 2 under the relevant French Loan Agreement and the French Related Security; and

(k) two first demand guarantees issued by The Royal Bank of Scotland plc each up to a principal amount of ε2,500,000. The first guarantee was provided as security for the completion of major works on the De Gaulle Property. The relevant works have now been completed and the guarantee will therefore cease to have effect. Pursuant to the second guarantee, the Lender can draw on amounts available under the guarantee if the amounts standing to the credit of the relevant French Rent Account on any French Loan Interest Payment Date are insufficient to make payments of interest on, and repayments of principal of, the relevant French Loan on that French Loan Interest Payment Date.

With respect to the SNC Josas Loan, the French Related Security includes:

(a) a lender's privilege on the relevant French Property (*hypothèque conventionnelle de premier rang*) up to a principal amount of ε4,449,428.93 (valid until 5th February, 2012), granted by SNC Josas;

(b) a second ranking mortgage on the relevant French Property (*hypothèque conventionnelle de second rang*) up to a principal amount of ε2,050,571.07 (valid until 5th February, 2012), granted by SNC Josas;

(c) a pledge of shares (by way of a *caution réelle*) of SNC Josas, granted by the relevant French Borrower Shareholders (*nantissement de parts sociales*);

(d) a pledge of financial instruments accounts (*nantissement de comptes d'instruments financiers*) where the shares issued by the relevant French Borrower Shareholders are registered, granted by the relevant Parent Company as a *caution réelle*;

(e) a pledge of the relevant French Borrower VAT Account (*nantissement du compte de TVA*), granted by SNC Josas;

(f) a pledge of the financial instruments accounts (*nantissement de comptes d'instruments financiers*) where the financial instruments purchased with the sums available to the credit of the French Borrower VAT Account are registered, granted by SNC Josas;

(g) a cash deposit (*gage-espèces*) made by SNC Josas to the credit of the relevant French Rent Account;

(h) a Dailly Law assignment (*cession Dailly*) of the rents due under the French Leases obtained in respect of the relevant French Property granted by SNC Josas (such Dailly Law assignment to remain in force until the acceptance of the assignment referred to in paragraph (j) below);

(i) an assignment (*délégation imparfaite*) of the rights against the occupational tenants for the rents payable by it under the French Leases obtained in respect of the relevant French Property, subject to the acceptance of the assignment by the occupational tenants;

(j) an assignment (*délégation imparfaite*) of the rights against the insurance companies for all amounts which are or may become due under the insurance policies taken out by SNC Josas in respect of its French Property, subject to the acceptance of the assignment by the insurance companies; and

(k) an assignment of the guarantee (*délégation imparfaite*) issued by the vendor of the shares in SNC Josas in respect of certain declarations, warranties and covenants under the share purchase agreement entered into between the relevant Parent Company of SNC Josas and the vendor of the shares, granted by the relevant Parent Company.

With respect to the EFP Elancourt Loan, the French Related Security includes:

(a) a lender's privilege on the relevant French Property (*privilège du prêteur de deniers*) up to a principal amount of ε68,141,267 (valid until 5th November, 2011), granted by the First Principal Borrower;

(b) a second ranking mortgage on the relevant French Property (*hypothèque conventionnelle de second rang*) up to a principal amount of ε8,640,575.67 (valid until 5th November, 2011), granted by the First Principal Borrower;

(c) a third ranking mortgage on the relevant French Property (*hypothèque conventionnelle de troisième rang*) up to a principal amount of ε6,718,157.33 (valid until 5th November, 2011), granted by the First Principal Borrower;

(d) a pledge of the financial instruments accounts (*nantissement de comptes d'instruments financiers*) where the shares issued by the First Principal Borrower are registered, granted by the relevant French Borrower Shareholders as a *caution réelle*;

(e) a pledge of the relevant French Borrower Account (*nantissement du compte d'emprunteur*), granted by the First Principal Borrower;

(f) pledge of financial instruments accounts (*nantissement de comptes d'instruments financiers*), granted by the First Principal Borrower;

(g) a cash deposit (*gage-espèces*) made by the First Principal Borrower to the credit of the relevant French Rent Account;

(h) a Dailly Law assignment (*cession Dailly*) of the rents due under the French Leases obtained in respect of the relevant French Property granted by the First Principal Borrower (such Dailly Law assignment to be in force until the acceptance of the assignment referred to in paragraph (i) below);

(i) an assignment (*délégation imparfaite*) of the rights against occupational tenants for the rents payable by it under the French Leases obtained in respect of the relevant French Property, subject to the acceptance of the assignment by the occupational tenants;

(j) an assignment (*délégation imparfaite*) of the rights against the insurance companies for all amounts which are or may become due under the insurance policies taken out by the First Principal Borrower in respect of its French Property, subject to the acceptance of the assignment of the insurance companies;

(k) an assignment of the guarantee (*délégation imparfaite*) issued by the vendor of the shares in the First Principal Borrower in respect of certain declarations, warranties and covenants under the share purchase agreement entered into between the relevant French Borrower Shareholders and the vendor of the shares in the First Principal Borrower, granted by the relevant French Borrower Shareholders; and

(l) a transfer of rights (*cession de créances à titre de garantie*) pursuant to which the relevant French Borrower Shareholders assigned, as security, their rights against the parent company of the vendor of the shares, acting as counter guarantor under the guarantee described in paragraph (k) above.

With respect to the CEREP Carillon Loan, the French Related Security includes:

(a) a lender's privilege on the relevant French Property (*privilège de prêteur de deniers*) up to a principal amount of ε5,785,550.00 (valid until 31st July, 2009), granted by the Second Principal Borrower;

(b) a lender's privilege on the relevant French Property (*privilège de prêteur de deniers*) up to a principal amount of ε5,885,250.00 (valid until 31st July, 2009), granted by the Second Principal Borrower;

(c) a lender's privilege on the relevant French Property (*privilège de prêteur de deniers*) up to a principal amount of ε5,785,500.00 (valid until 31st July, 2009), granted by the Second Principal Borrower;

(d) a lender's privilege on the relevant French Property (*privilège de prêteur de deniers*) up to a principal amount of ε6,860,000.00 (valid until 31st July, 2009), granted by the Second Principal Borrower;

(e) a lender's privilege on the relevant French Property (*privilège de prêteur de deniers*) up to a principal amount of ε2,352,000.00 (valid until 31st July, 2009), granted by the Second Principal Borrower;

(f) a lender's privilege on the relevant French Property (*privilège de prêteur de deniers*) up to a principal amount of ε2,254,000.00 (valid until 31st July, 2009), granted by the Second Principal Borrower;

(g) a lender's privilege on the relevant French Property (*privilège de prêteur de deniers*) up to a principal amount of ε2,254,000.00 (valid until 31st July, 2009), granted by the Second Principal Borrower;

(h) a lender's privilege on the relevant French Property (*privilège de prêteur de deniers*) up to a principal amount of ε17,456,625.00 (valid until 31st July, 2009), granted by the Second Principal Borrower;

(i) a second ranking mortgage (*hypothèque conventionnelle de second rang*) on the relevant French Property with respect to the difference in the interest rate under the initial loan used to finance the acquisition of the relevant Property and the CEREP Carillon Loan used to refinance such initial loan (valid until 31st July, 2009);

(j) a third ranking mortgage (*hypothèque conventionnelle de troisième rang*) on the relevant French Property up to a principal amount of ε18,942,500.00 (valid until 31st July, 2009), granted by the Second Principal Borrower;

(k) a pledge of shares of the Second Principal Borrower, granted by the Second Principal Borrower's Shareholder (*nantissement de parts sociales*);

(l) a pledge of the French Borrower Account (*nantissement du compte d'emprunteur*), granted by the Second Principal Borrower;

(m) a cash deposit (*gage-espèces*) made by the Second Principal Borrower to the credit of the relevant French Rent Account;

(n) a Dailly Law assignment (*cession Dailly*) of the rents due under the French Leases entered into in respect of the relevant French Property, granted by the Second Principal Borrower (such Dailly Law Assignment remaining in force till the acceptance of the assignment referred to in paragraph (o) below);

(o) an assignment (*délégation imparfaite*) of the rights against the Compagnie Générale des Eaux for the rents payable by such tenant under that French Lease obtained in respect of the relevant French Property, subject to the acceptance of the assignment by the occupational tenant;

(p) a Dailly Law assignment (*cession Dailly*) of all amounts which are or may become due under the insurance policies taken out by the Second Principal Borrower in respect of the Property for the benefit of the Originator (such Dailly Law Assignment of the receivables under the insurance policies remaining in force till the acceptance of the assignment referred to in paragraph (q) below);

(q) an assignment (*délégation imparfaite*) of the rights against the insurance companies for all amounts which are or may become due under the insurance policies taken out by the Second Principal Borrower in respect of the relevant French Property, subject to the acceptance of the assignment by the insurance companies;

(r) a pledge of the claims held by the subordinated lender against the Second Principal Borrower under the relevant Subordinated Loan Agreement, granted by the subordinated lender;

(s) a first demand guarantee (*garantie à première demande*) issued by The Royal Bank of Scotland plc, on behalf of the Second Principal Borrower, equal to a maximum amount of ε5,000,000 and effective from 30th June, 2004 to 31st July, 2004. Pursuant to this first demand guarantee, the Lender is entitled to obtain payment of amounts owing in respect of the CEREP Carillon Loan from The Royal Bank of Scotland plc, without prior notice to the Second Principal Borrower. The maximum amount available under this guarantee varies according to the amount of vacant space at the relevant French Property at the time the guarantee is called.

The Irish Issuer Assets

There are two Irish Loans (the "**First Irish Loan**" and the "**Second Irish Loan**" and, together the "**Irish Loans**") each made pursuant to credit agreements (the "**First Irish Loan Agreement**" in respect of the First Irish Loan and the "**Second Irish Loan Agreement**" in respect of the Second Irish Loan, and together the "**Irish Loan Agreements**") dated 22nd May, 2001, entered into by the Originator, the Irish Loan Security Trustee and Peter Cosgrave, Michael Cosgrave and Joseph Cosgrave.

Overview of the Irish Loans

Peter Cosgrave, Michael Cosgrave and Joseph Cosgrave (the "**Irish Borrowers**"" are each individuals who carry on business together as the "Cosgrave Property Group". They are engaged in the business of investing in, developing and managing commercial and residential real property located primarily in Ireland. The Irish Borrowers are jointly and severally liable for each of their respective obligations under the Irish Loan Agreements including, without limitation, the obligation to pay interest on and repay the principal of the Irish Loans.

The terms of the First Irish Loan Agreement and the Second Irish Loan Agreement are substantially similar. Where material differences exist between the terms of the First Irish Loan Agreement and the Second Irish Loan Agreement, such differences are specifically described below.

Payments of interest on and repayments of principal of the Irish Loans are made from the rental income generated by one commercial real property situated in Dublin (the "**Irish Property**"). The Irish Property comprises office buildings. The Irish Property is let to tenants under occupational lease agreements, each of which generate periodic contractual rental income. The Irish Property is owned by the Irish Borrowers.

Principal Amount

Each of the Irish Loans was drawn by the Irish Borrowers on 23rd May, 2001. ε22,220,416 was drawn by the Irish Borrowers pursuant to the First Irish Loan Agreement. ε34,282,928 was drawn by the Irish Borrowers pursuant to the Second Irish Loan Agreement.

ε877,454.41 of the amount drawn down by the Irish Borrowers pursuant to the Second Irish Loan Agreement was placed in a deposit account held in the name of the Irish Borrowers (the "**Deposit Account**"). This deposit arrangement was put in place by the Irish Borrowers and the Originator to cover certain shortfalls on rental income arising from the Irish Property during an agreed initial period. A substantial portion of the funds standing to the credit of the Deposit Account were applied to discharge amounts due under the Irish Loan Agreements during the agreed initial period. The surplus has since been transferred to the Irish Rent Account and so the Deposit Account is, at the date of this Offering Circular, unfunded.

Certain scheduled repayments or prepayments of principal have been made on the First Irish Loan and the Second Irish Loan since being drawn so that, as at the Cut-Off Date, the aggregate principal amount outstanding of the First Irish Loan and the Second Irish Loan was ε55,081,237.

Purpose of the Irish Loans

The Irish Loans were made for the purpose of refinancing existing debt of the Irish Borrowers in respect of the Irish Property.

Payment of Interest

Interest on the Irish Loans is payable in arrear on the 16th day of January, April, July and October in each year (each an "**Irish Loan Interest Payment Date**" and together the "**Irish Loan Interest Payment Dates**"). The rate of interest applicable to the Irish Loans is the sum of a fixed rate and a margin, such fixed rate having been notified by the Originator to the Irish Borrowers prior to the Irish Loans being drawn.

Repayment of Principal

The principal amount outstanding of each of the Irish Loans is repayable by the Irish Borrowers in full on their respective scheduled maturity dates, each being 16th October, 2008. In addition, on each Irish Loan Interest Payment Date, the Irish Borrowers are required to repay in part the principal amount outstanding of the First Irish Loan, in accordance with an agreed repayment schedule. Absent any voluntary or mandatory prepayment by the Irish Borrowers, the aggregate principal amount outstanding of the First Irish Loan and the Second Irish Loan on their scheduled maturity date will be ε50,218,141.

In addition to the obligation to repay the principal amount outstanding of the Irish Loans in full or in part, as the case may be, on their scheduled maturity date and on each relevant Irish Loan Interest Payment Date, the Irish Borrowers:

(a) may, under certain circumstances, make voluntary prepayment, in full or in part, of the principal amount outstanding of each of the Irish Loans; and

(b) must, under certain circumstances, make mandatory prepayment, in full or in part, of the principal amount outstanding of each of the Irish Loans.

The Irish Borrowers may make voluntary prepayment in full or in part of the principal amount outstanding of each of the Irish Loans provided that the prepayment is made on an Irish Loan Interest Payment Date.

The minimum amount of any such voluntary prepayment is ε317,434.50. The Irish Borrowers may also make voluntary prepayment in full of the principal amount outstanding of each Irish Loan if the Irish Borrowers are required to deduct from any payment made in respect of that Irish Loan any amount for or on account of any tax, and consequently are required to "gross-up" such amount so that the Lender receives a net amount equal to the amount it would have received but for the deduction, or if the Irish Borrowers are required to pay to the Lender any additional costs incurred by the Lender as a result of either Irish Loan having been made.

The Irish Borrowers must, at the option of the Lender, make mandatory prepayment in full of the principal amount outstanding of the Irish Loans if it becomes unlawful for the Lender to fund or maintain the funding of the Irish Loans, if the Irish Property becomes subject to a compulsory purchase order, or if the Irish Property is sold without substituting another property which the Lender may accept as alternative security, in accordance with the terms of the Irish Loan Agreements.

No prepayment of the Second Irish Loan may be made unless all amounts outstanding under the First Irish Loan Agreement have been paid.

If the Irish Borrowers make a voluntary prepayment or a mandatory prepayment of the principal amount outstanding of the Irish Loans, they may be required to pay certain prepayment fees to the Lender. No such prepayment fees are payable, however, if prepayment is made by the Irish Borrowers as a result of them having to make payments in respect of tax gross up or additional costs, or if it becomes unlawful for the Lender to fund or maintain the funding of the Irish Loans.

Bank Accounts

The Irish Borrowers have procured that the rental income generated by the Irish Property is paid into an account designated as the "**Irish Rent Account**". The Irish Rent Account is held in the name of the Irish Borrowers and is secured in favour of the Irish Loan Security Trustee. The Irish Loan Security Trustee has full signing authority over the Irish Rent Account.

On each Irish Loan Interest Payment Date, the Irish Loan Security Trustee is required to withdraw from the Irish Rent Account such amounts as are necessary to make payments of interest and repayments of principal then due in respect of the Irish Loans. The Irish Borrowers also maintain the Deposit Account into which was deposited the amount of principal held back from the Second Irish Loan on drawdown, being ε877,454.41. However, as indicated above, there are no funds standing to the credit of the Deposit Account as at the date of this Offering Circular.

On each Irish Loan Interest Payment Date, amounts standing to the credit of the Irish Rent Account are applied in making, among other things, payments of interest on and scheduled repayments of principal of the Irish Loans by paying such amounts to the Irish Issuer Transaction Account.

The Irish Rent Account and the Deposit Account are each held with the Westmoreland Street, Dublin branch of Allied Irish Banks p.l.c. and are together referred to as the "**Irish Loan Accounts**". Each of the Irish Loan Accounts is subject to first ranking fixed charges as security for the obligation of the Irish Borrowers in respect of the Irish Loans. As at the date of this Offering Circular, the long-term, unsecured, unsubordinated debt obligations of Allied Irish Banks p.l.c. are rated "AA-" by Fitch, "Aa3 by Moody's and "A" by S&P.

Representations and Warranties

The Irish Loan Agreements each contain various representations and warranties given by the Irish Borrowers. These representations and warranties are given on the date of the Irish Loan Agreements and are deemed to be repeated on the dates the Irish Borrowers sought to draw the First Irish Loan and the Second Irish Loan, respectively, and also on each Irish Loan Interest Payment Date, in each case, with reference to the facts and circumstances then prevailing.

The representations and warranties contained in the Irish Loan Agreements include statements to the following effect:

(a) that each Irish Borrower has the power to enter into, perform and deliver the Irish Loan Agreements and other related transaction documents to which he is or will be a party;

(b) no event of default is outstanding or would result from the making of the Irish Loans, taken together, and there is no litigation or other proceedings current, (or to the knowledge of each Irish Borrower) pending or threatened which if adversely determined might have a material adverse effect on the performance of each of the Irish Borrower's obligations in respect of the Irish Loans;

(c) all written facts and information supplied to the Lender or the Irish Loan Security Trustee are true, complete and accurate in all material respects without any material omission or inaccuracy;

(d) from the date of drawdown, the Irish Borrowers will be the legal and beneficial owners of the Irish Property as tenants in common;

(e) the security interests created by the Irish Debenture (as defined below) constitute first priority security interests of the type described therein and no other security interest exists over the assets over which security has been created by the Irish Debenture; and

(f) each Irish Borrower has not sold or disposed of any asset save to a third party on an arms' length basis and has not incurred any actual or contingent liabilities which have become due and payable before

their stated maturity and remain outstanding or undischarged save as previously disclosed in writing to the Originator.

Undertakings

The Irish Borrowers each gave various undertakings in the Irish Loan Agreements. The undertakings in each Irish Loan Agreement include the following:

(a) to provide a statement of income and expenditure relating to the Irish Property, and the accounts of the Irish Borrowers (in respect of the arrangements concerning the ownership of the Irish Property) for each financial year, and such other financial information as the Originator may reasonably request;

(b) to give notice to the Irish Loan Security Trustee of the occurrence of an Irish Loan Event of Default;

(c) not to permit or allow any security interest to arise over the Irish Property or the other assets which are the subject of the security created by the Irish Debenture (the "**Irish Secured Assets**") and not to incur any financial indebtedness which is to be secured over the Irish Secured Assets;

(d) not to carry on any business in respect of the Irish Secured Assets other than acquiring, managing and (subject to the principal transaction documents in relation to the Irish Loans) selling the Irish Property or the other Irish Secured Assets;

(e) to effect or procure to be effected before the drawdown date:

(i) insurance of the Irish Property on a full reinstatement basis;

(ii) third party liability insurance;

(iii) insurance against acts of terrorism; and

(iv) such other insurance as a prudent company in the same business as the Irish Borrowers would effect,

all such insurances to be in an amount and in a form and with an insurance company or underwriters acceptable to the Irish Loan Security Trustee;

(f) to procure that the interests of the Lender and the Irish Loan Security Trustee are endorsed on all insurance policies required under sub-clause (e) above;

(g) to provide to the Lender and the Irish Loan Security Trustee 10 days after each Irish Loan Interest Payment Date certain information relating to the Irish Property including:

(i) a schedule of existing occupational tenants, showing for each such occupational tenant the rent, service charge, value added tax and other amounts payable;

(ii) copies of any management accounts or cash-flow statements;

(iii) details of proposed capital expenditure to be undertaken with respect to the Irish Property; and

(iv) details of any material repairs required to the Irish Property.

The undertakings of the Irish Borrowers are binding for as long as any amount is outstanding under the Irish Loan Agreements.

Events of Default

The Irish Loan Agreements contain various events of default (each an "**Irish Loan Event of Default**" and together the "**Irish Loan Events of Default**") entitling the Originator to demand immediate payment of all amounts due in respect of the Irish Loans and enforce the Irish Secured Assets. The Irish Loan Events of Default include the following:

(a) the failure by the Irish Borrowers to pay on the due date any amount due under the principal transaction documents connected with the Irish Loans;

(b) breach by the Irish Borrowers of obligations under the principal transaction documents connected with the Irish Loans;

(c) any representation, warranty or statement made or repeated in the principal transaction documents connected with the Irish Loans by or on behalf of the Irish Borrowers, is incorrect in any material respect;

(d) any of the Irish Borrowers is deemed bankrupt or unable to pay his debts or other bankruptcy related acts or events occur or any of the Irish Borrowers is expelled or retires from the arrangements concerning the ownership of the Irish Property;

(e) the death of any Irish Borrower;

(f) the transaction documents creating security for the Irish Loans fail to create the intended security interests; and

(g) the unlawfulness of the performance by any of the Irish Borrowers of his respective obligations under the principal transaction documents connected with the Irish Loans.

Certain of the Irish Loan Events of Default are subject to cure or grace periods and, if any of the Irish Borrowers is adjudicated a bankrupt or is expelled or retires from the arrangements concerning the ownership of the Irish Property, an Irish Loan Event of Default shall be deemed not to have occurred if the rights and obligations of such Irish Borrower in , to or in respect of the Irish Property and under the principal transaction documents to which he is party, respectively, are transferred to or assumed by the remaining Irish Borrowers to the satisfaction of the Lender.

Related Security for Irish Loans

The principal agreement pursuant to which security for the Irish Loans is created is a debenture entered into contemporaneously with the Irish Loan Agreements between the Irish Borrowers and the Irish Loan Security Trustee (such debenture as amended, varied or supplemented from time to time, the "**Irish Debenture**"). As described further below, the Irish Debenture creates security interests over various assets of the Irish Borrowers as security for the liabilities of the Irish Borrowers in respect of the Irish Loans.

The Irish Borrowers have also entered into a supplemental debenture (the "**Irish Supplemental Debenture**") in favour of the Irish Loan Security Trustee. The Irish Supplemental Debenture creates a charge over the Deposit Account as security for the liabilities of the Irish Borrowers in respect of the Irish Loans. The Irish Supplemental Debenture was entered into on 24th May, 2001, the day after drawdown of each of the Irish Loans.

The Irish Debenture

Under the terms of the Irish Debenture, each Irish Borrower granted to the Irish Loan Security Trustee, upon trust for, among others, the Originator and its assigns, the following security interests, among other things:

(a) a charge over the property, lands, heriditaments and premises comprising the Irish Property together with all buildings, fixtures and plant and machinery from time to time thereon;

(b) a first fixed charge over all the right, title and interest of the Irish Borrowers in the insurance policies relating to the Irish Property and any warranties relating to the Irish Property; and

(c) a first fixed charge over all of his right, title and interest in the Irish Rent Account and the Deposit Account and the balances from time to time standing to the credit of the Irish Rent Account and the Deposit Account.

The Belgian Bonds

The Belgian Issuer issued the Belgian Bonds on the 7th November, 2002 (the "**Belgian Issue Date**"). The Belgian Bonds were subscribed for by MSDW Bank and, in relation to a single Belgian Bond, Morgan Stanley & Co. Incorporated. The Belgian Bonds are governed by Belgian law.

The Belgian Issuer on-lent the proceeds of the issue of the Belgian Bonds on the Belgian Issue Date by way of the Belgian Intra-Group Loans to the seven Belgian Property Owning Companies pursuant to certain loan agreements (the "**Belgian Intra-Group Loan Agreements**"). The Belgian Issuer, the Belgian Property Owning

Companies and the shareholders of the Belgian Property Owning Companies (the "**Belgian Shareholders**" entered into certain security agreements in favour of the Belgian Security Agent acting in its own name under a parallel covenant provision (*solidarité active*) and as agent (*mandataire*) of the Belgian Bondholders (the "**Belgian Security Agreements**" and together with the Belgian Bonds, the "**Belgian Finance Documents**") creating the Belgian Related Security. The Belgian Security Agreements are also governed by Belgian law.

In consideration of the benefit conferred on them by way of the Belgian Intra-Group Loans, the Belgian Property Owning Companies have entered into joint and several guarantees in favour of the Belgian Security Agent and *vis-à-vis* each other relating to the due and punctual performance of the Belgian Issuer's obligations under the Belgian Bonds. In addition, should any of the Belgian Issuer's obligations not be recoverable from the Belgian Property Owning Companies for any reason, each Belgian Property Owning Company has undertaken to indemnify the Belgian Security Agent in full in respect of the relevant amounts.

For further information about the Belgian Security Agreements, see "Belgian Security" at page 113 below.

Principal Amount of the Belgian Bonds

The principal amount of the Belgian Bonds as at the Belgian Issue Date was ε60,000,000 divided into 240 bonds in denominations of ε250,000 each. The Belgian Bonds are freely transferable registered bonds, which may not be offered publicly for sale in Belgium or in any other jurisdiction and no steps may be taken that would constitute or could result in a public offering of the Belgian Bonds in any jurisdiction.

As at the Cut-Off Date, a scheduled redemption of ε800,000 had been made by the Belgian Issuer on the Belgian Bonds and accordingly the principal amount outstanding of the Belgian Bonds as at the Cut-Off Date is ε59,400,000. The expected principal amount outstanding of the Belgian Bonds as at the Belgian Bond Transfer Date is ε58,714,000, calculated on the assumption that the scheduled principal repayment due on the Belgian Bonds on the Belgian Bond Transfer Date is made on that date.

Purpose of the issue of the Belgian Bonds

The Belgian Bonds were issued for the primary purpose of enabling the Belgian Property Owning Companies to re-finance its existing debt incurred in order to purchase the Belgian Properties. Each Belgian Property is at least partially let to occupational tenants (the "**Belgian Occupational Tenants**"). The Belgian Property Owning Companies will utilise the Rental Income from the Belgian Properties to pay interest, principal and other sums due to the Belgian Issuer under the Belgian Intra-Group Loan Agreements, and the Belgian Issuer will, in turn, use these amounts to make payments due under the Belgian Bonds.

Payment of Interest

Interest on the Belgian Bonds is payable in arrear on the 5th day of February, May, August and November in each year whilst any Belgian Bond is outstanding and on the scheduled final redemption date (each a "**Belgian Bond Interest Payment Date**"). The rate of interest applicable to the Belgian Bonds is the sum of a fixed rate and a margin, such rate having been notified by the Belgian Security Agent to the Belgian Issuer prior to the issue of the Belgian Bonds.

Redemption

The principal amount outstanding of the Belgian Bonds is to be redeemed by the Belgian Issuer in full on the scheduled final redemption date, being the 5th November, 2006. In addition, on each Belgian Bond Interest Payment Date occurring on or after 5th February, 2003, the Belgian Issuer is required to redeem in part the principal amount outstanding of the Belgian Bonds (unless the loan to value ratio falls below a certain level, when no scheduled redemption is to be made until such level is reached again). Absent any voluntary or mandatory redemption by the Belgian Issuer or the application of the limited exceptions referred to above, the principal amount outstanding of the Belgian Bonds on their scheduled maturity date is expected to be ε54,319,000.

In addition to the obligation to redeem the Belgian Bonds in full or in part, as the case may be, on their scheduled maturity date and on each relevant Belgian Bond Interest Payment Date, the Belgian Issuer:

(a) may, under certain circumstances, make a voluntary redemption payment, in full or in part, of the principal amount outstanding of the Belgian Bonds; and

(b) must, under certain circumstances, make mandatory redemption payments, in full or in part, of the principal amount outstanding of the Belgian Bonds.

The Belgian Issuer may, on giving not less than 30 days' prior notice, make a voluntary redemption payment in full or in part of the principal amount outstanding on the Belgian Bonds subject (in the case of a voluntary redemption payment made between Belgian Bond Interest Payment Dates) to the payment of interest that would have been paid on the amount of the Belgian Bonds which are redeemed from the previous Belgian Bond Interest Payment Date to the next Belgian Bond Interest Payment Date. The minimum amount of each voluntary redemption payment is ε400,000.

The Belgian Issuer may also make a voluntary redemption payment of the full amount of the principal amount outstanding of the Belgian Bonds if it is required to deduct from any payment made in respect of the Belgian Bonds any amount for or on account of any tax, and consequently is required to "gross-up" such amount so that the Belgian Bondholders receive a net amount equal to the amount they would have received but for the deduction, or if the Belgian Issuer is required to pay to the Belgian Bondholders any additional costs incurred by it as a result of the Belgian Bonds having been issued.

The Belgian Issuer must also make mandatory redemption in full of the principal amount outstanding of the Belgian Bonds if it becomes unlawful for the Belgian Bondholders or their successors in title to hold the Belgian Bonds.

The Belgian Issuer shall pay to the Belgian Bondholders that are credit institutions the amount of increased costs incurred as a result of changes in legislation (or its interpretation or application).

If the Belgian Issuer makes a voluntary redemption payment or a mandatory redemption payment of the principal amount outstanding of the Belgian Bonds it may be required to pay certain prepayment fees to the Belgian Bondholders. No such prepayment fees are payable, however, if all (but not some only) of the Belgian Bonds are subject to mandatory redemption by the Belgian Issuer as a result of the Belgian Issuer having to make payments in respect of tax gross up or increased costs, or if it becomes unlawful for the Belgian Bondholders to fund or maintain the funding of the Belgian Bonds.

Bank Accounts

Each Belgian Property Owning Company has opened in its own name a separate bank account (each a "**Belgian Collection Account**" and together the "**Belgian Collection Accounts**"). Each Belgian Property Owning Company is required to serve notice on the Belgian Occupational Tenants to pay rent (excluding service charge, which is to be paid to a managing agent appointed by the Belgian Property Owning Companies (the "**Belgian Managing Agent**")) directly into the relevant Belgian Collection Account on the due dates for payment of the rent in accordance with the terms of the relevant occupational leases. The Belgian Collection Accounts are each pledged in favour of the Belgian Security Agent and notice has been served on the relevant account banks that the Belgian Collection Account has been pledged to the Belgian Security Agent.

The Belgian Security Agent has opened an account in its name (the "**Belgian Rent Account**") into which all sums standing to the credit of the Belgian Collection Accounts are transferred at the end of each business day. If a Belgian Occupational Tenant makes a single payment which includes sums due in relation to both rent and service charge, then the entire sum is paid into the Belgian Rent Account. A sum representing the part of the payment which relates to service charge is then paid to the Belgian Issuer from the Belgian Rent Account.

The Belgian Security Agent has agreed to release to the Belgian Issuer on each Belgian Bond Interest Payment Date any amounts standing to the credit of the Belgian Rent Account in excess of the amounts required to pay all amounts then due and payable on the Belgian Bonds, or in connection therewith, provided that the interest cover in respect of the Belgian Bonds is not or does not become, as a result of the payment, less than 125 per cent.

Following a Belgian Bond Event of Default, or on the occurrence of certain other specified events, each Belgian Property Owning Company shall immediately notify the relevant account banks of the fact that all accounts which it holds (other than the Belgian Collection Account, in relation to which notice of the pledge has been made) have been pledged to the Belgian Security Agent and that no amount may be withdrawn from the said accounts without the consent of the Belgian Security Agent (other than by way of transfer to the Belgian Rent Account).

The Belgian Managing Agent is an experienced property manager, which has entered into a duty of care agreement with the Belgian Security Agent pursuant to which it agrees to collect rental income and service charges and pay rental income, net of service charge, by means of daily sweeps from the relevant Belgian Collection Accounts into the Belgian Rent Account.

Disposal proceeds arising on the sale of the whole of a Belgian Property or of the shares in a Belgian Property Owning Company are also required to be paid into the Belgian Rent Account. The proceeds of sale are to be utilised to redeem the whole or part of the Belgian Bonds. Such redemption is to be in a minimum amount calculated in accordance with the terms and conditions of the Belgian Bonds.

All of the Belgian Collection Accounts and the Belgian Rent Account are maintained with the Arts/Kunst branch of KBC Bank N.V. (the "**Belgian Account Bank**"). As at the date of this Offering Circular, the long-term, unsecured, unsubordinated debt obligations of KBC Bank N.V. are rated "AA-" by Fitch, "Aa3" by Moody's and "A+" by S&P.

Representations and Warranties

The terms and conditions of the Belgian Bonds contain various representations and warranties given by the Belgian Issuer. Each of the Belgian Property Owning Companies have also entered into similar warranties (in relation to itself only) under the joint and several guarantees. These representations and warranties were given on the Belgian Issue Date and were and are deemed to be repeated by the Belgian Issuer and by the Belgian Property Owning Companies on each Belgian Bond Interest Payment Date (with certain limited exceptions), in each case, with reference to the facts and circumstances then prevailing.

The representations and warranties contained in the terms and conditions of the Belgian Bonds include statements to the following effect:

(a) it is a private limited liability company *(sociéte privée à responsabilité limitée)* duly incorporated and validly existing under the laws of Belgium, with power to own its assets and carry on its business as it is being conducted;

(b) it has the power to enter into, perform and deliver and has taken all necessary action to authorise the entry into, performance and delivery of the documents which it enters into in connection with the issue of the Belgian Bonds (the "**Belgian Bond Issue Documents**") or the Belgian Intra-Group Loan Agreements, as the case may be;

(c) no event of default is outstanding or would result from entering into the Belgian Bond Issue Documents or the Belgian Intra-Group Loan Agreements and there is no litigation or other proceedings current, pending or threatened which if adversely determined might have a material adverse effect on the performance of the Belgian Issuer or each Belgian Property Owning Company of its obligations under the Belgian Bond Issue Documents;

(d) the information supplied by the Belgian Issuer or the information supplied on its behalf to the holder of the Belgian Bonds and/or the Belgian Security Agent or any valuer appointed with respect to the Belgian Properties was true, complete and accurate;

(e) in the case of the Belgian Property Owning Companies, it is the exclusive legal owner of the relevant Belgian Property free from any encumbrances other than the security created pursuant to the Belgian Mortgages;

(f) the Belgian Related Security constitutes first priority security interests of the type described in each of the documents creating the Belgian Related Security and no prior or *pari passu* security interest exists over the assets referred to in those documents;

(g) since the date of the Belgian Issuer's incorporation it has not carried on any business other than the ownership of its shares in a Belgian Property Owning Company or sold or disposed of any asset other than on arms' length terms or incurred any actual or contingent liabilities which are outstanding or undischarged other than under the Belgian Bond Issue Documents and the Belgian Intra-Group Loan Agreements;

(h) any mandates granted to third parties to create any security interests over any of the assets of the Belgian Issuer or the Belgian Property Owning Companies have been irrevocably terminated;

(i) it has not taken any action for bankruptcy, liquidation, judicial composition, dissolution, or any other insolvency event, or is not in a situation of suspension of payments;

(j) it has complied with all environmental and zoning laws and has disclosed all environmental claims;

(k) there are no amounts of rent which have been paid in advance, assigned, pledged, and there are no legal or factual circumstances which would materially affect the rental income; and

(l) all Belgian Properties and the plant and machinery thereon are effectively insured for their full reinstatement value, as well as third party liability insurances and insurance against acts of terrorism, on the terms and subject to the conditions set out in such insurance.

In addition the Belgian Property Owning Companies have provided further representations and warranties in connection with their respective joint and several guarantees.

A legal due diligence report was issued by the Belgian lawyers acting for the Belgian Issuer and the Belgian Property Owning Companies (the "**Belgian Issuer's Lawyers**") on the day before the Belgian Issuer Date (the "**Belgian Due Diligence Report**"). The representations and warranties contained in the terms and conditions of the Belgian Bonds are given subject to the disclosures in the Belgian Due Diligence Report.

Undertakings

The terms and conditions of the Belgian Bonds contain various undertakings given by the Belgian Issuer. Each of the Belgian Property Owning Companies has also entered into similar undertakings (in relation to itself only) under the joint and several guarantees. The undertakings of the Belgian Issuer include the following:

(a) to provide annual accounts for the Belgian Issuer for each financial year and interim accounts for each half of each financial year, and such other financial information as the Belgian Security Agent may reasonably request;

(b) to give notice to the Belgian Security Agent of the occurrence of a Belgian Bond Event of Default;

(c) not to permit or allow any security interest to arise over its assets or any of the assets of the Belgian Property Owning Companies and not to incur, and to cause each of the Belgian Property Owning Companies not to incur, any indebtedness other than pursuant to the Belgian Bond Issue Documents or the Belgian Intra-Group Loan Agreements;

(d) not to carry on any business other than the issue of the Belgian Bonds, the on-lending of the proceeds of the Belgian Bonds and the holding of shares which it has pledged in favour of the Belgian Security Agent;

(e) to cause the Belgian Property Owning Companies not to carry on any business other than the ownership, administration, letting and financing of its interest in the Belgian Property which it owns on the Belgian Issue Date;

(f) on the Belgian Issue Date, the Belgian Issuer will use the proceeds of the Belgian Bond Issue exclusively for funding the Belgian Intra-Group Loans;

(g) not to have any subsidiary other than a Belgian Property Owning Company and not to have, and to procure that none of the Belgian Property Owning Companies shall have, any employees (other than a janitor employed by one of the Belgian Property Owning Companies at the time the Belgian Bonds were issued);

(h) not to repay any principal or pay any interest in relation to any other borrowings, not to repay or redeem any of its share capital, and not to pay any dividend or make any distributions unless the interest cover percentage is 125 per cent. or more;

(i) save as permitted by the terms and conditions of the Belgian Bonds, not to, and to cause each of the Belgian Property Owning Companies not to, sell, transfer lease or otherwise dispose of all or any substantial part of its assets without the consent of the Belgian Security Agent;

(j) to insure the Belgian Properties against or in respect of the risk of damage or destruction, third party liabilities, acts of terrorism and such other risks as a prudent company in the same business as the Belgian Issuer would insure against;

(k) to provide, and cause the Belgian Property Owning Companies to provide, to the Belgian Security Agent information on a quarterly basis relating to the Belgian Properties including:

(i) a schedule of existing occupational tenants, showing for each such occupational tenant the contracted annual rent, service charge, value added tax and other amounts payable (and, separately, paid);

(ii) copies of any management accounts or cash-flow statements provided for or by each of the Belgian Property Owning Companies, showing information in respect of each Belgian Property Owning Company;

(iii) details of any proposed capital expenditure on any Belgian Property of more than ε100,000; and

(iv) details of any material repairs required to any of the Belgian Properties.

(l) to maintain, and to procure that each Belgian Property Owning Party maintains, the minimum capital requirements required by Belgian law;

(m) not to appoint, nor cause the Belgian Property Owning Companies to appoint, a managing agent of any Belgian Property without the consent of the Belgian Security Agent;

(n) not to enter into, nor cause the Belgian Property Owning Companies to enter into, contracts which could make it incur a liability in excess of ε100,000 without the prior written consent of the Belgian Security Agent; and

(o) to promptly notify, or cause the Belgian Property Owning Companies to notify, the Belgian Security Agent of any litigation, attachment, distress or execution which would have a material adverse effect.

In addition, the Belgian Property Owning Companies have provided further undertakings in connection with their respective joint and several guarantees.

The undertakings of the Belgian Issuer and the Belgian Property Owning Companies are binding for as long as any amount is outstanding under the Belgian Bonds.

Belgian Bond Events of Default

The terms and conditions of the Belgian Bonds contain various events of default (each a "**Belgian Bond Event of Default**" and together the "**Belgian Bond Events of Default**") entitling the Belgian Bondholders or the Belgian Security Agent to demand that all or part of the Belgian Bonds shall become immediately due and payable. The Belgian Bond Events of Default include the following:

(a) the failure to pay on the due date any amount due under the Belgian Bond Issue Documents unless due to a technical or administrative error and payment is made within two business days of the due date;

(b) breach of obligations under the Belgian Bond Issue Documents (unless remedied within 20 business days);

(c) any representation, warranty or statement made or repeated in connection with any Belgian Bond Issue Documents is incorrect (unless remedied within 20 business days);

(d) any of the Belgian Issuer or the Belgian Property Owning Companies is deemed insolvent or unable to pay its debts or other insolvency related acts or events occur in relation to the Belgian Issuer or any Belgian Property Owning Company;

(e) the mortgages granted on the Belgian Issue Date fail to create the intended security interests;

(f) the Belgian Issuer or a Belgian Property Owning Company ceases, or threatens to cease, to carry on all or a substantial part of its business;

(g) there occurs in relation to any of the Belgian Property Owning Companies or the Belgian Properties an event which the Belgian Security Agent considers would have a material adverse effect (unless capable of being remedied within 20 business days); and

(h) any obligation exceeding ε100,000 of any of the Belgian Property Owning Companies is not paid when due and default continues for more than 20 business days.

Status of the Belgian Issuer and the Belgian Property Owning Companies

Fortress Finance (Belgium) S.P.R.L. is the Belgian Issuer. The Belgian Issuer was incorporated on 18th October, 2002 as a *société anonyme* (the equivalent of a public limited liability company) under the laws of Belgium and was converted on 23rd June, 2003 into a *société privée à responsibilité limitée* (the equivalent of a private limited liability company).

The managers (*gérants/zaakvoerders*) of the Belgian Issuer are Jonathan Ashley, Kenneth Riis, Wesley Edens, Robert Kauffman, and Randal Nardone, each of 1251 Avenue of the Americas, New York, NY 10020 and the statutory manager (*gérants statutaire/statutair zaakvoerders*) of the Belgian Issuer is Morgan Stanley Mortgage Servicing Limited having as permanent representative David Simpson of 25 Cabot Square, Canary Wharf, London E14 4QA.

Pursuant to its articles of association (*statuts*), the Belgian Issuer's activities are restricted to the issuance of negotiable financial instruments for the purpose of refinancing debt obligations entered into by its affiliated companies (within the meaning of Article 11 of the Belgian Company Code (*Code des Sociétés/Wetboek van vennootschappen*)), the granting of loans to such companies out of the proceeds of such issuance and the holding or selling, as the case may be, of shares in the capital of Beta Invest S.P.R.L., and certain other ancillary activities necessary for the fulfilment of the foregoing purposes (including, for the avoidance of doubt, the granting of real or personal security to secure its own obligations or to secure obligations of its affiliated companies). Since the date of its establishment the Belgian Issuer has not engaged in any activity other than those permitted under its articles of association (*statuts*).

The Belgian 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 Belgian Issuer is aware) which may have, or have had since the date of its incorporation, a significant effect on the Belgian Issuer's financial position. 2.D.2

The capitalisation and indebtedness of the Belgian Issuer as at the date of this Offering Circular is as follows: 2.D.4(a)

Share Capital

The authorised and issued share capital of the Belgian Issuer comprises 22,816,999 shares with a fractional value of ε318.67 each of which 71,599 shares are fully paid up and issued.

Loan Capital

The outstanding indebtedness of the Belgian Issuer is ε59,200,000, being the amount owed by the Belgian Issuer to the Issuer in respect of the Belgian Bonds on the Closing Date.

The Belgian Issuer owns all but one of the shares in the issued share capital of Beta Invest S.P.R.L., which in turn holds all but one of the shares in the issued share capital of Alfa Invest S.P.R.L., Centrum Invest S.P.R.L., Melodicum S.P.R.L., Polytrophys S.P.R.L., Seminole S.P.R.L. and Trealen S.P.R.L.. Each of the Belgian Property Owning Companies is, therefore, an affiliate of the Belgian Issuer within the meaning of Article 11 of the Belgian Company Code.

The Belgian Property Owning Companies were not established as special purpose vehicles. In respect of each of the Belgian Property Owning Companies, comprehensive due diligence was carried out by the Belgian Issuer's external counsel prior to the Belgian Issue Date in order to establish that there were no material, actual or contingent liabilities arising out of the past operations of the Belgian Property Owning Companies or in relation to the ownership of the Belgian Properties. The Belgian Due Diligence Report was reviewed by the external counsel acting for the Originator in order to ensure that it covered all relevant matters. On the basis of the Belgian Due Diligence Report, it is apparent that the Belgian Property Owning Companies had, as at the Belgian Issue Date, no material assets or liabilities save in relation to the Belgian Bond Issue Documents, the Belgian Intra-Group Loans and the ownership of shares in the Belgian Property Owning Companies and/or the ownership of the Belgian Properties.

In order to preserve the insolvency-remote status of the Belgian Issuer and the Belgian Property Owning Companies, the following enhancements were made to the structure:

(a) the constitutional documents of the Belgian Issuer and each Belgian Property Owning Company were modified so as to provide that the corporate purpose of those entities is restricted to the holding, renting out and financing of the relevant Belgian Properties, as well as to the grant of loans to

affiliated companies and, in the case of the Belgian Issuer and Beta Invest S.P.R.L., the ownership of shares in the relevant Belgian Property Owning Companies;

(b) the constitutional documents of the Belgian Issuer and of each of the Belgian Property Owning Companies, together with the shareholders' agreements concluded between the shareholders of each of the Belgian Issuer and the Belgian Property Owning Companies, provide that there must at all times be at least one manager appointed at the recommendation of the Belgian Security Agent or its successors (a *gérant statutaire* or the "**Independent Manager**"). All management decisions of the Belgian Issuer and the Belgian Property Owning Companies, except for those to be taken at the level of the shareholders as provided in the Belgian Company Code or in the articles of association of each such company, must be approved by the Independent Manager. The Independent Manager, as recommended by the Belgian Security Agent, is MSMS;

(c) given the private character of the Belgian Issuer and the Belgian Property Owning Companies and the provisions in the articles of association with regard to the transferability of the shares of each of the Belgian Issuer and of the Belgian Property Owning Companies, the shares of the Belgian Issuer and of the Belgian Property Owning Companies may only be transferred with the approval of all shareholders, including the Belgian Security Agent, as holder of one share in each of the Belgian Issuer and the Belgian Property Owning Companies, except in case of a transfer to (i) another shareholder, (ii) an affiliate of the Belgian Security Agent or (iii) any of the holders of the Belgian Bonds (in which case, they may be transferred without any further approval);

(d) pursuant to the articles of association of the Belgian Issuer and the Belgian Property Owning Companies, key shareholders' decisions require an unanimous vote of all shareholders, hence requiring the vote of the Belgian Security Agent in its capacity as a shareholder. Key shareholders' decisions comprise: (i) change of legal form of the Belgian Issuer and of each relevant Belgian Property Owning Company, (ii) transfer of the registered office of the Belgian Issuer and each relevant Belgian Property Owning Company outside Belgium, (iii) liquidation, dissolution or every other decision to transfer, merge or split the activities or part of the activities of the relevant entity, filing of the annual accounts or filing of a petition for judicial composition, (iv) change of corporate purpose, (v) modification of the rights attached to securities, (vi) modification of the rules in relation to management, in relation to the composition of and deliberation by the meetings of the managers and modification of the requirements of quorum and majority for the general meeting of shareholders and the board of managers (*gérance*), (vii) modification of the valid representation of the company (see paragraph (e) below); and (viii) share capital decreases;

(e) each of the Belgian Issuer and the Belgian Property Owning Companies is only validly represented *vis-à-vis* third parties by (i) two managers acting jointly, one of them being the Independent Manager, or (ii) special mandatories within the framework of their mandate, provided that they are unanimously appointed by all the managers; and

(f) all intra-group or permitted third party financial indebtedness is fully subordinated to the Belgian Bonds.

In addition, the payment of ongoing operational liabilities incurred in relation to the Belgian Properties are monitored by the Belgian Security Agent based on information provided by the Belgian Issuer and the Belgian Property Owning Companies. Thus, the operation of the Belgian Issuer and the Belgian Property Owning Companies are regulated in a manner designed to protect the position of the holders of the Belgian Bonds.

Belgian Security

The Belgian Bonds are secured by:

(a) pledges over the shares in each of the Belgian Issuer and each Belgian Property Owning Company (the "**Belgian Share Pledge**");

(b) a pledge over all receivables arising under the Belgian Intra-Group Loan Agreements, over all rights under all relevant insurance policies in respect of the Belgian Properties and over all rental receivables accruing under all leases to occupational tenants in respect of the Belgian Properties (the "**Belgian Receivables Pledge**");

(c) a pledge over the Belgian Collection Accounts and all sums standing to the credit of the Belgian Collection Accounts (the "**Belgian Bank Account Pledges**")

(d) registered mortgages over each Belgian Property, for an aggregate amount of 10 per cent. of the original principal amount of the Belgian Bonds (the "**Belgian Mortgages**");

(e) up to the remaining original principal amount of the Belgian Bonds, interest and costs, irrevocable mortgage mandates (the right to unilaterally register an effective mortgage over each of the Belgian Properties) (the "**Belgian Mortgage Mandates**"); and

(f) an unconditional and irrevocable joint and several guarantee by each of the Belgian Property Owning Companies in favour of the Belgian Security Agent and *vis-à-vis* each other with respect to the liabilities of the Belgian Issuer (the "**Belgian Guarantee**").

The Belgian Security has, in the case of each security document referred to at paragraphs (a) to (f) above, been granted in favour of the Belgian Security Agent. In order to protect the insolvency remote status of the Belgian Security Agent after the Closing Date, the Belgian Security Agent will covenant to each of the Issuer, the Note Trustee and the Issuer Security Trustee pursuant to the terms of the Belgian Bond Sale Agreement that, among other things, it will restrict its activities to those permitted in the terms and conditions of the Belgian Bonds, and activities incidental thereto. In addition, the Belgian Security Agent will covenant not to incur any indebtedness of whatever nature, have any subsidiaries or any employees, or own any premises.

The Belgian Security Agent is appointed by the Belgian Bondholders to hold the Belgian Security and to exercise its rights thereunder in its own name and for the benefit of the Belgian Bondholders. The appointment of the Belgian Security Agent for these purposes will continue even in the event of the holders of the Belgian Bonds transferring the Belgian Bonds and their rights thereunder and the security rights of the Belgian Security Agent will not be novated as a result of the transfer of the Belgian Bonds at any time.

The Belgian Related Security is enforceable, in each case, by the Belgian Security Agent upon the occurrence of a Belgian Bond Event of Default which has not been remedied or waived in accordance with the terms and conditions of the Belgian Bonds. The Belgian Related Security secures all sums due under the Belgian Bonds, subject to the limitations relating to the Belgian Mortgages.

Each of the individual types of Belgian Related Security are considered further below.

The Belgian Share Pledge

Each holder of shares in the Belgian Issuer and in each of the Belgian Property Owning Companies (other than the Belgian Security Agent) entered into a share pledge in favour of the Belgian Security Agent on the Belgian Issue Date.

The pledges of the shares have been inscribed in the shareholders' register of the company whose shares are being pledged, and create a commercial pledge (*handelspand/gage commercial*) pursuant to the Belgian Law of 5th May, 1872 (a "**Commercial Pledge**") over those shares. The Commercial Pledge constitutes a *zakelijke zekerheid/sûreté réelle*, or, in other words, a priority right to payment out of the pledged shares (subject to mandatory statutory priorities) enforceable against all third parties.

The Belgian Receivables Pledge and the Belgian Bank Account Pledges

The Belgian Property Owning Companies entered into a pledge in favour of the Belgian Security Agent on the Belgian Issue Date in respect of all receivables arising under the Belgian Intra-Group Loan Agreements, over all rights under all relevant insurance policies in respect of the Belgian Properties and over all rental receivables arising under all leases with Belgian Occupational Tenants in respect of the Belgian Properties (other than service charges). The relevant insurance companies have recognised the Belgian Security Agent as beneficiary under the relevant insurance policies.

Each Belgian Property Owning Company also entered into a pledge over its Belgian Collection Account and all amounts credited from time to time thereto in favour of the Belgian Security Agent.

The pledges created pursuant to the Belgian Receivables Pledge and the Belgian Bank Account Pledges create Commercial Pledges. Each such pledge constitutes a priority right to payment out of the assets (subject to mandatory statutory priorities) enforceable against all third parties. Notice of the pledges has been given to each relevant person in order to perfect the security created by the pledges.

The Belgian Mortgages

The Belgian Mortgages were created pursuant to a public deed executed before a Belgian notary public (the "**Belgian Mortgage Deed**"). The Belgian Mortgage Deed creates valid and enforceable first ranking mortgages (*hypotheek/hypothèque*) under the Belgian Law of 16th December, 1851 over the Belgian Properties, in favour of the Belgian Security Agent. The amount secured by each Belgian Mortgage is restricted to 10 per cent. of the original principal amount of the Belgian Bonds, together with:

(a) a notional amount in relation to unpaid interest, to a maximum of three years' interest, at the rate of twelve per cent. per annum; and

(b) an amount equivalent to five per cent. of the amount secured in relation to the costs of enforcing the mortgage (together, the "**Belgian Secured Amount Limit**").

The balance of the original principal amount of the Belgian Bonds is not secured by a first ranking mortgage over the Belgian Properties, unlike the other Originated Assets.

The Belgian Mortgages have been granted in favour of the Belgian Security Agent and secure, subject to the Belgian Secured Amount Limit, all amounts owing to the Belgian Security Agent and the Belgian Bondholders under or in connection with the Belgian Bonds.

The Belgian Mortgages will remain in full force and effect until all amounts owing under or in respect by the Belgian Bonds have been discharged in full.

The Belgian Mortgages have been perfected through registration and the Belgian Property Owning Companies are required, under the terms of the Belgian Mortgage Deed, to do all things and execute all such future documents as may be necessary or advisable for the purposes of maintaining the perfection of the Belgian Mortgages.

The Belgian Mortgage Mandate

Each Belgian Property Owning Company has granted an irrevocable mortgage mandate in favour of the Belgian Security Agent up to the sum of the remaining original principal amount of the Belgian Bonds which are not secured by the Belgian Mortgages, plus (a) a notional amount in relation to unpaid interest, to a maximum of three years' interest, at the rate of twelve per cent. per annum; and (b) an amount equivalent to ten per cent. of the amount secured in relation to the costs of enforcing the mortgage (the "**Belgian Bond Balance**"). The Belgian Mortgage Mandate gives the Belgian Security Agent the right unilaterally to register an effective mortgage over each of the Belgian Properties in an amount up to the Belgian Bond Balance.

The costs and taxes which are currently incurred in creating a valid mortgage include:

(a) registration duty of one per cent. on the secured amount;

(b) mortgage duty of 0.3 per cent. on the secured amount; and

(c) incidental costs and fees.

The use of a mortgage mandate to create an effective mortgage over the Belgian Properties may be subject, among other things, to the following restrictions:

(a) it would not be possible to register the mortgage in accordance with the Belgian Mortgage Mandate at any time on or after the date of the declaration of insolvency of the Belgian Property Owning Company against which the mortgage is to be registered; in case of judicial composition of that company, it may still be possible to create and register a mortgage but it is unclear whether such mortgage would be effective (*tegenwerpelijk*) against other creditors of the relevant Belgian Property Owning Company during the judicial composition;

(b) the effectiveness of the mortgage created pursuant to the Belgian Mortgage Mandate may, except in certain limited circumstances, be challenged if the mortgage is registered at a time less than six months prior to the insolvency of the Belgian Property Owning Company against which the mortgage has been registered. One of the limited circumstances in which this rule does not apply is in case of acts performed in order to cause "fraudulent prejudice" to creditors. In this case, the clawback rule is not limited to six months. For further information, see "Certain Matters of Belgian Law – Bankruptcy" at page 186;

(c) the Belgian Mortgage Mandate would not permit the Belgian Security Agent to perfect the relevant mortgage if the relevant Belgian Property had previously been transferred or sold by the relevant Belgian Property Owning Company in breach of the terms and conditions of the Belgian Bonds;

(d) a mortgage created pursuant to the Belgian Mortgage Mandate after the date on which a third party creditor of the relevant Property Owning Company has effected an attachment (*beslag*) of the property, will not be enforceable (*tegenwerpelijk*) against the creditor which has effected the attachment;

(e) the mortgage created pursuant to the Belgian Mortgage Mandate will be subject to any prior, perfected disposals or encumbrances in respect of the relevant Belgian Property; and

(f) the use of a Belgian Mortgage Mandate may also be prejudiced by the dissolution or any solvent corporate restructuring of the relevant Belgian Property Owning Company.

The Guarantee

Each of the Belgian Property Owning Companies has irrevocably, unconditionally, jointly and severally guaranteed to the Belgian Security Agent and *vis-à-vis* each other the due and punctual payment of all amounts owing in respect of the Belgian Bonds.

As an additional obligation, each Belgian Property Owning Company has undertaken with the Belgian Security Agent that, should any of the guaranteed amounts not be recoverable from any guarantor for any reason, then such Belgian Property Owning Company shall fully indemnify the Belgian Security Agent against all relevant losses. Each Belgian Property Owning Company is liable under its guarantee jointly and severally (*hoofdelijk en ondeelbaar*) with each of the Belgian Issuer and the other Belgian Property Owning Companies.

The Belgian Share Pledges over the shares in the Belgian Issuer and each Belgian Property Owning Company also provide the Belgian Security Agent (and therefore the holders of the Belgian Bond and their successors in title and assigns) with security over the shares in the owner of each Belgian Property.

Summary of the Belgian Security

The Belgian Receivables Pledge, together with the Belgian Bank Account Pledges, will provide the Belgian Security Agent with security over the cashflows generated by the Belgian Properties.

The Belgian Security Agent will monitor the financial status of the Belgian Property Owning Companies through the Independent Manager of each Belgian Property Owning Company and through the information which is to be provided pursuant to the terms and conditions of the Belgian Bonds.

In the event it is deemed necessary to convert the Belgian Mortgage Mandates into full mortgages in the light of any information provided, the Belgian Security Agent will proceed with the registration of additional mortgages in its complete discretion and as permitted pursuant to the Belgian Mortgage Mandate, subject to being indemnified for the costs of so doing and subject to the limitations imposed with respect to such mortgages as described on page 113. The Belgian Mortgages will also put third parties on notice of the existence of the financing and the encumbrance on the Belgian Properties.

SALE OF ORIGINATED ASSETS

Asset Transfer Agreements

On the Closing Date, the Originator will enter into agreements with, among others, the Issuer (in respect of the Belgian Bonds and the Belgian Related Security), the French Issuer (in respect of the French Loans and the French Related Security) and the Irish Issuer (in respect of the Irish Loans and the Irish Related Security), pursuant to which it will agree to sell to the Issuer, the French Issuer or the Irish Issuer, as applicable, the Originated Asset or Originated Assets specified therein. The Originator will also enter an agreement with Morgan Stanley & Co. Inc. on the Closing Date (the "**Single Belgian Bond Sale Agreement**") pursuant to which it will agree to purchase the single Belgian Bond held by Morgan Stanley & Co. Inc. on the Belgian Bond Transfer Date.

The agreement between the Originator and the Issuer relating to the sale of the Belgian Bonds and the Belgian Related Security is referred to as the "**Belgian Bond Sale Agreement**". The agreement between the Originator and the French Issuer relating to the sale of the French Loans and the French Related Security is referred to as the "**French Asset Transfer Agreement**". The agreement between the Originator and the Irish Issuer relating to the sale of the Irish Loans and the Originator's beneficial interest in the Irish Related Security is referred to as the "**Irish Asset Transfer Agreement**". The Belgian Bond Sale Agreement, the French Asset Transfer Agreement and the Irish Asset Transfer Agreement are collectively referred to as the "**Asset Transfer Agreements**" and each individually is referred to as an "**Asset Transfer Agreement**".

Sale of the Belgian Bonds

Consideration

Pursuant to the Single Belgian Bond Sale Agreement, the Originator will agree to purchase the single Belgian Bond owned by Morgan Stanley & Co. Inc. for ε244,642 on the Belgian Bond Transfer Date. Pursuant to the Belgian Bond Sale Agreement, the Issuer will agree to purchase all of the Belgian Bonds from the Originator on the Belgian Bond Transfer Date. The purchase price payable on the Belgian Bond Transfer Date by the Issuer to the Originator in respect of all the Belgian Bonds is expected to be ε58,714,000 (being an amount equal to the outstanding aggregate principal amount of the Belgian Bonds on the Belgian Bond Transfer Date, calculated on the assumption that the principal amount and any accrued interest scheduled to be paid by the Belgian Issuer on that date is paid to the Belgian Bondholders).

Effectiveness of Sale under Belgian Bond Sale Agreement

Belgian withholding tax rules provide for an exemption for withholding tax on interest payments in respect of registered bonds held by non-resident investors who are not using the bonds for a business activity in Belgium, provided certain conditions apply, including a condition that the ownership of registered bonds does not change at any time other than on an interest payment date in respect of the relevant registered bonds. As the Closing Date is not a Belgian Bond Interest Payment Date, the sale of the Belgian Bonds to the Issuer will be brought about as follows:

(a) Morgan Stanley & Co. Inc. will agree to sell its single Belgian Bond to the Originator on the Belgian Bond Transfer Date pursuant to the Single Belgian Bond Sale Agreement;

(b) the Originator will agree to sell all the Belgian Bonds to the Issuer on the Belgian Bond Transfer Date pursuant to the Belgian Bond Sale Agreement;

(c) the Issuer will agree to purchase all the Belgian Bonds from the Originator on the Belgian Bond Transfer Date, subject to certain conditions precedent to such purchase being met, including the repetition of each representation and warranty given to the Issuer on the Closing Date, the payment of the principal amount and any accrued interest scheduled to be paid by the Belgian Issuer on that date to the Belgian Bondholders and the delivery of the Belgian Bonds to the Issuer.

Should Morgan Stanley & Co. Inc. or the Originator become insolvent in the period from the Closing Date to the Belgian Bond Transfer Date, the Issuer will not purchase the Belgian Bonds from the Originator but will instead partially redeem the Notes using amounts standing to the credit of the Issuer Deposit Account.

Issuer Deposit Account

On the Closing Date, the portion of the proceeds of the issuance of the Notes which will be used by the Issuer to fund the purchase of the Belgian Bonds on the Belgian Bond Transfer Date, will be placed by the

Issuer into the Issuer Deposit Account. The Issuer Deposit Account will be held with the Issuer Operating Bank and the Issuer will grant security over the Issuer Deposit Account in favour of the Issuer Security Trustee pursuant to the Issuer Deed of Charge and Assignment. The beneficiaries of the grant of this security will be first, the Originator, in respect of the Issuer's obligation to pay the purchase price of the Belgian Bonds to it on the Belgian Bond Transfer Date against delivery of the Belgian Bonds; and secondly, in the event that the transfer of the Belgian Bonds on the Belgian Bond Transfer Date does not occur, the Issuer Secured Parties.

Funds standing to the credit of the Issuer Deposit Account will be invested by the Cash Manager in eligible investments in the period from the Closing Date to the Belgian Bond Transfer Date pursuant to and in accordance with the terms of the Cash Management Agreement.

Upon delivery by the Originator of the Belgian Bonds to the Issuer on the Belgian Bond Transfer Date, the Issuer Security Trustee will authorise the release of funds standing to the credit of the Issuer Deposit Account in an amount sufficient to pay the purchase price of the Belgian Bonds and any excess will be transferred to the Issuer Transaction Account as Available Issuer Interest Receipts to be applied in accordance with the applicable priority of payments on the next following Note Interest Payment Date.

Registration

Immediately following the transfer of the Belgian Bonds to the Issuer on the Belgian Bond Transfer Date, the register maintained in respect of the Belgian Bonds will be amended to reflect the transfer of the Belgian Bonds from the Originator to the Issuer and the pledge of the Belgian Bonds in favour of the Issuer Security Trustee. The Belgian Related Security is held by the Belgian Security Agent for the benefit of the registered holders of the Belgian Bonds from time to time. Therefore, no separate notification of the transfer of the Belgian Bonds need to be given to the Belgian Security Agent nor is any re-registration required in respect of any element of the Belgian Related Security as a result of the sale of the Belgian Bonds.

Failure of delivery of the Belgian Bonds

If the Originator fails, for any reason, to transfer the Belgian Bonds on the Belgian Bond Transfer Date, the Issuer will transfer to the Issuer Transaction Account:

(a) the interest income on the eligible investments purchased from funds credited to the Issuer Deposit Account as Available Issuer Interest Receipts, to be applied in accordance with the applicable priority of payments on the next following Note Interest Payment Date; and

(b) the remaining amounts credited to the Issuer Deposit Account as Belgian Bond Prepayment Redemption Funds to be applied in accordance with the applicable priority of payments on the next following Note Interest Payment Date.

Sale of the French Loan and French Related Security

Consideration

The purchase price payable by the French Issuer to the Originator in respect of the French Loans and the French Related Security will be ε190,327,692, a sum equal to the outstanding aggregate principal amount of the French Loans on the Cut-Off Date. This amount will be paid by the French Issuer to the Originator on the Closing Date using the proceeds of the issuance of the French Units. There will be no further or other consideration payable by the French Issuer to the Originator in respect of the French Loans and the French Related Security.

Transfer and Perfection

The transfer of title to the French Loans and French Related Security pursuant to the French Asset Transfer Agreement will be brought about by the Originator delivering to the French Issuer Management Company a transfer document entitled an *Acte de Cession de Créance*, which sets out various provisions of the *Code monétaire et financier*. The delivery of the *Acte de Cession de Créances* makes the transfer of the French Loans and the French Related Security binding upon third parties without the requirement of any further act. The *Acte de Cession de Créances* will be delivered to and held in custody by the French Issuer Custodian.

Further Assurances

In addition to executing the *Acte de Cession de Créances* and compliance with the notification and registration procedures described above, the Originator has undertaken, under the French Asset Transfer

Agreement, to do all acts and things and to execute such other documents as may be requested by the French Issuer, the French Issuer Management Company or the French Issuer Custodian, to perfect the title of the French Issuer to the French Loans and French Related Security.

Sale of the Irish Loan and Irish Related Security

Consideration

The purchase price payable by the Irish Issuer to the Originator in respect of the Irish Loans and Irish Related Security will be ε55,081,237, a sum equal to the outstanding principal amount of the Irish Loans on the Cut-Off Date. This amount will be paid by the Irish Issuer to the Originator on the Closing Date using the proceeds of the issuance of the Irish Notes. There will be no further or other consideration payable by the Irish Issuer to the Originator in respect of the Irish Loans and the Irish Related Security.

Transfer and Perfection

The transfer of title to the Irish Loans and Irish Related Security pursuant to the Irish Asset Transfer Agreement will be effected by the Originator executing an assignment in the form prescribed by the Irish Asset Transfer Agreement. Following such assignment, the Irish Issuer Servicer will, within 15 business days of the Closing Date, notify each of the Irish Borrowers of the assignment, and the Irish Loan Security Trustee will, from the Closing Date onwards, hold the Irish Related Security on trust for the Irish Issuer rather than the Originator. However, with respect to the mortgages and other registered security interests constituting the Irish Related Security, the Irish Loan Security Trustee will remain the registered holder thereof and so no re-registration is required in respect of any element of the Irish Related Security.

Further Assurances

In addition to executing the assignment and making the notification described above, the Originator has undertaken, under the Irish Asset Transfer Agreement, to do all acts and things and to execute such other documents as may be requested by the Irish Issuer and the Irish Issuer Security Trustee to perfect the title of the Irish Issuer to the Irish Loans and Irish Related Security.

Representations and Warranties

None of the Issuer or the Issuer Related Parties (with respect to the Belgian Bonds), the French Issuer or the French Issuer Related Parties (with respect to the French Loans and the French Related Security) and the Irish Issuer or the Irish Issuer Related Parties (with respect to the Irish Loans and the Irish Related Security) has made or will make any of the enquiries, searches or investigations which a prudent purchaser of similar assets would normally make, nor has any such entity made any enquiry at any time in relation to compliance by the Originator with its lending criteria or the legality, validity, perfection, adequacy or enforceability of the relevant Originated Assets or the transfer thereof pursuant to the relevant Asset Transfer Agreement.

In relation to all of the foregoing matters, the Issuer will, in relation to the Belgian Bonds, rely on the representations and warranties given by the Originator in the Belgian Bond Sale Agreement, the French Issuer will, in relation to the French Loans and the French Related Security, rely on the representations and warranties given by the Originator in the French Asset Transfer Agreement and the Irish Issuer will, in relation to the Irish Loans and Irish Related Security, rely on the representations and warranties given by the Originator in the Irish Asset Transfer Agreement.

If there is a material breach of any representation and/or warranty set out in any of the Asset Transfer Agreements in relation to any of the Originated Assets (a description of the more significant of which is set out below) and such breach is not capable of remedy or, if capable of remedy, has not been remedied, the Originator will be obliged, if required by the Issuer, the French Issuer or the Irish Issuer, as the case may be, to repurchase such Originated Asset for an aggregate amount equal to the outstanding principal amount under the relevant Loan together with interest accrued (but not yet payable) and costs, up to, but excluding, the date of the repurchase, such costs to include any swap breakage costs payable by the Issuer as a result of any early termination of a Swap Transaction which results from such repurchase. The Issuer, the French Issuer or the Irish Issuer, as the case may be, will have no other remedy in respect of such a breach unless the Originator fails to purchase the relevant Originated Asset in accordance with the relevant Asset Transfer Agreement.

The representations and warranties to be given by the Originator in the Asset Transfer Agreements will include statements to the following effect, though such statement will, as appropriate, vary from Asset Transfer Agreement to Asset Transfer Agreement:

(a) the Originator is the absolute owner of the relevant Originated Assets free from encumbrances;

(b) each of the relevant Properties is situated in the Relevant Jurisdiction;

(c) each of the relevant Properties constitute investment properties and are let predominantly for commercial use;

(d) each Borrower or, in the context of Belgium, the Belgian Property Owning Companies, has good and valid title to the relevant Properties, free of any material title defects;

(e) (i) each Loan constitutes the valid and binding obligation of, and is enforceable against the relevant Borrower; and

(ii) the related mortgage over the relevant Property constitutes a legal, valid and binding first security interest over the Property to which such mortgage relates (subject only to any relevant registrations);

(f) the Originator has not received any written notification of any encumbrance affecting its title to any of the relevant Originated Assets other than those to which it has given its consent or to which its consent is not required;

(g) to the best of the Originator's knowledge after using reasonable endeavours to ensure the same, each relevant Property is insured by an insurance policy maintained by the relevant Borrower or another person with an interest in the Property in an amount which is equal to or greater than its reinstatement value;

(h) the Originator has not received any notice that any insurance policy relating to any relevant Property is about to lapse on account of failure to pay the insurance premium thereunder;

(i) none of the provisions of any Originated Asset have been waived, altered or modified in any material respect since it was entered into except as set out in the relevant Loan documentation;

(j) the Originator has kept or has caused to be kept full and proper accounts, books and records showing all transactions, payments, receipts and other relevant information relating to the Originated Assets which are complete and accurate in all material respects, all such accounts, books and records being fully up to date and kept by, or to the order of, the Originator;

(k) each of the Originated Assets arose from the ordinary course of the Originator's commercial secured lending activities;

(l) the Originator is not aware of the bankruptcy, insolvency, liquidation, receivership or administration (or equivalent procedure) in respect of any Borrower or, in the case of the Belgian Bonds, any Belgian Property Owning Company;

(m) prior to originating the Originated Assets, the Originator carried out all material investigations, searches and other actions and made such enquiries about title to the relevant Properties as a reasonably prudent lender of money secured on commercial real property in the Relevant Jurisdiction would make. No information was revealed by any such investigations, searches or action which would have led a reasonably prudent lender in the Relevant Jurisdiction to decline to originate any of the Originated Assets;

(n) each Originated Asset is governed by French law, Irish law or Belgian law, as the case may be;

(o) the Originator is not aware of any material default, material breach or material violation in respect of any of the Originated Assets which has not been remedied, cured or waived;

(p) the Originator has performed, in all material respects, all its obligations under or in connection with the Originated Assets and, so far as it is aware, no Borrowers have taken or have threatened to take any action against the Originator for material failure on the part of the Originator to perform any such obligation;

(q) no Originated Asset has been discharged, terminated, redeemed, cancelled, or repudiated and neither the Originator nor any Borrower has expressed any intention to do so;

(r) each Originated Asset may be validly transferred by the Originator to the Issuer, the French Issuer or the Irish Issuer, as the case may be;

(s) the Originator has not received any notice of any default, for failure or the like, of any occupational lease granted in respect of any relevant Property or the insolvency of any tenant of any such Property which would, in any case, render the relevant Property unacceptable as security;

(t) the Originator has undertaken all due diligence that a prudent commercial lender would undertake to determine that each Borrower (other than the Belgian Issuer) has not engaged in any activity whatsoever other than those activities incidental to the ownership of the relevant Properties; and

(u) the Originator has undertaken all due diligence in relation to the Belgian Bonds that a prudent commercial lender would undertake to establish and confirm that none of the Belgian Property Owning Companies had, as at the date of origination, any material assets and liabilities other than the relevant Belgian Intra-Group Loan Agreements and those activities incidental to the ownership of the relevant Properties.

In addition to the above representations and warranties, the Originator has provided additional representations and warranties which are specific to each of the Relevant Jurisdictions.

THE INTERMEDIATE ASSETS

The French Units

The French Issuer

ELoC France 1 FCC will be the French Issuer. The French Issuer will be an FCC established in France on 12th December, 2003 and will be governed by the provisions of Articles L.214-5. L214-43 to L.214-49 and L.231-7 of the French *Code monétaire et financier* (formerly Law No. 88-1201 of 23rd December, 1988 relating to collective investment schemes and the creation of debt mutual funds), the Decree and the French Issuer Regulations.

The French Issuer will be a co-ownership entity (*copropriété*), created jointly by the French Issuer Custodian and the French Issuer Management Company. The French Issuer will not have a separate legal personality (*personalité morale)* and therefore will be represented in its activities by the French Issuer Management Company.

The French Issuer will occupy a privileged legal position in that the provisions of the French *Code civil* concerning joint ownership (*indivision*), joint companies (*sociétés en participation*) and bankruptcy and insolvency law will not apply to the French Issuer. Nor will the provisions of the French *Code monétaire et financier* relating to credit institutions (*établissements de crédit*), investment companies (*entreprises d'investissement*) or investment funds (*organismes de placement collectif en valeurs mobiliéres*) apply to the French Issuer.

Under the French Issuer Regulations, the sole purpose for which the French Issuer will be established will be to issue the French Units, acquire the French Issuer Assets and to enter into certain transactions ancillary thereto.

The French Issuer will enter into a number of contracts in connection with the issuance of the French Units and the servicing of the French Issuer Assets.

Notwithstanding the provisions of Article L.214-43 of the French *Code monétaire et financier*, the French Issuer will not, under the French Issuer Regulations, be entitled to acquire further receivables or issue further units following the issuance of the French Units. The French Issuer will, therefore, unlike the Irish Issuer and the Issuer, not be an entity which is designed to undertake repeat offerings of debt instruments.

The capitalisation and indebtedness of the French Issuer as at the date of this Offering Circular is as follows:

Share Capital

The French Issuer has no share capital.

Loan Capital

The French Issuer has no outstanding loan capital.

BDO Gendrot will be appointed as statutory auditor to the French Issuer.

The French Issuer Management Company

Eurotitrisation is the French Issuer Management Company. The French Issuer Management Company is a *société anonyme*, incorporated in France, with its registered office at 20, rue Chauchart, 75009, Paris.

Pursuant to the French Issuer Regulations, the French Issuer Management Company will participate jointly with the French Issuer Custodian in the establishment of the French Issuer. The French Issuer Management Company will be responsible for the management of the French Issuer and will represent the French Issuer *vis-à-vis* third parties and in any legal proceedings, whether as plaintiff or defendant. The French Issuer Management Company will take all steps which it deems necessary or desirable to protect the French Issuer's rights arising under the French Issuer Assets. It will be bound to act at all times in the best interests of the Issuer, for so long as the Issuer is the holder of the French Units.

The French Issuer Custodian

CDC Finance – CDC IXIS is the French Issuer Custodian. The French Issuer Custodian is a *société anonyme*, incorporated in France with its registered office at 26-28 rue Neuvre Tolbial, 75658, Paris.

The French Issuer Custodian will participate jointly with the French Issuer Management Company in the establishment of the French Issuer. In accordance with the *Code monétaire et financier*, the French Issuer Custodian shall (a) be responsible for the safekeeping of the assets of the French Issuer; and (b) ascertain the lawfulness (*regularité)* of the decisions of the French Issuer Management Company against all applicable laws and the French Issuer Regulations.

The French Issuer Servicer and Sub-Servicer

MSDW Bank is the French Issuer Servicer and MSMS is the French Issuer Sub-Servicer.

Under a servicing agreement (the "**French Issuer Servicing Agreement**") to be entered into between the French Issuer Management Company (acting on behalf of the French Issuer), the French Issuer Custodian and the French Issuer Servicer, the French Issuer Servicer will agree to undertake the servicing of the French Loans. The French Issuer Servicer will delegate its servicing obligations to the French Issuer Sub-Servicer under a sub-servicing agreement to be entered into between them (the "**French Issuer Sub-Servicing Agreement**").

General provisions applicable to the French Units

The French Units, which will be issued in a single class on the Closing Date in an aggregate principal amount of ε189,282,900, in denominations of ε630,943. The French Units are financial instruments (*instruments financiers*) within the meaning of Article L.211-1 of the *Code monétaire et financier* and transferable securities (*valeurs mobilières*) within the meaning of Article 211-2 of the *Code monétaire et financier*. The French Units will be issued in registered form with their terms and conditions attached. Title to the French Units will pass upon registration of transfers in the register (the "**French Unit Register**") maintained for such purpose by the French Issuer Custodian.

The Issuer will subscribe for all the French Units on the Closing Date out of a portion of the proceeds raised from the issue of the Notes. Holders of the French Units ("**Unitholders**") are entitled to exercise the rights of a shareholder pursuant to Articles L. 225-230 and L. 225-231 of the French *Code de commerce*.

By subscribing for the French Units, Unitholders automatically agree to abide by the French Issuer Regulations and any amendments made thereto in accordance with the provisions of the French Issuer Regulations.

The French Units are structured to be "pass-through" instruments. Thus, the amount of interest paid and principal repaid in respect of the French Units on any French Unit Interest Payment Date will be dependent upon the amount of interest paid, principal repaid and prepayment fees received in respect of the French Loans during the relevant French Unit Collection Period immediately preceding such French Unit Interest Payment Date, as well as upon the expenses of the French Issuer which are met out of cash-flow received in respect of the French Loans in accordance with the French Issuer Priority of Payments.

The French Units will not be the obligation or responsibility of any person other than the French Issuer. In particular, but without limitation, the French Units will not be the obligation or responsibility of, or be guaranteed by MSDW Bank, any of the French Issuer Related Parties or any of their respective affiliates and none of such persons accepts any liability whatsoever in respect of any failure by the French Issuer to make payments of any amounts due in respect of the French Units.

Summary of Terms and Conditions of the French Units

Form, Denomination and Title

The French Units will be issued in dematerialised (book-entry) form on the Closing Date. The French Units will not, however, be settled through any book-entry system.

Transfers

According to the French Issuer Regulations, the holders of the French Units must be qualified investors (*investisseurs qualifiés*) within the meaning of Article L411-2 of the *Code monetaire et financier*, non-resident investors (*investisseurs non-residents*) or MSDW Bank.

Prior to the enforcement of the Issuer Security or unless the Collateral Manager has purchased the French Units pursuant to the Collateral Management Agreement, only the Issuer shall be registered as the Unitholder in respect of the French Units. Title to the French Units will be established by book-entry in the register of French Unitholders maintained by the French Issuer Custodian, in accordance with Article L. 211-4 of the *Code Monétaire et Financier*. Following enforcement of the Issuer Security or if the Collateral Manager purchases the French Units, the French Units may be transferred from the transferor's account to the transferee's account upon presentation to the French Issuer Custodian of a transfer order (*ordre de mouvement*) duly completed by the French Issuer Management Company and executed by the transferor (or its attorney or agent). Unless otherwise agreed between the transferor and the transferee, the transferor shall bear the cost incurred in respect thereof. The French Units are not, however, intended for public distribution in France. The French Units may also be transferred upon a purchase of the French Units by the Collateral Manager under the terms of the Collateral Management Agreement.

The French Issuer will fully co-operate with the Unitholders in facilitating a permissible transfer of the French Units, including obtaining any registrations which may be required under any applicable securities laws.

For the avoidance of doubt, the French Related Security is not "attached" to the French Units themselves, but is granted by the relevant parties to the French Issuer. The French Related Security, therefore, is held ultimately for the benefit of the Unitholders.

Interest

Interest on the French Units shall be payable in arrear on each French Unit Interest Payment Date on an available funds basis in an amount equal to all amounts credited to the French Issuer Transaction Account pursuant to sub-paragraph (c) of the French Available Interest Receipts Priority of Payments on such date, together with French Prepayment Fees which will be paid, to the Issuer on the French Unit Interest Payment Date following receipt thereof by the French Issuer.

Redemption and Cancellation

Unless previously redeemed in full, the French Units shall be redeemed in full at the French Unit Principal Amount Outstanding on the French Unit Maturity Date, less any principal losses arising in respect of the French Loans. The "**French Unit Principal Amount Outstanding**" at any time is the nominal amount of the French Units on the Closing Date less any amounts of principal prepaid thereon from time to time.

After the French Unit Maturity Date, any part of the nominal value of any French Unit which may remain unpaid shall be automatically cancelled, so that the Unitholders, after such date, shall have no right to assert a claim in this respect against the French Issuer, regardless of the amounts that may remain unpaid after the French Unit Maturity Date.

The French Units shall be subject to mandatory redemption in part on each French Unit Interest Payment Date to the extent that there are French Available Principal Receipts available for such purpose.

The French Units shall also be mandatorily redeemed in full if:

(a) by virtue of a change in law after the Closing Date, payments on the French Units become subject to any withholding or deduction for tax; or

(b) by virtue of a change in law after the Closing Date, the amounts receivable by the French Issuer under or in respect of the French Issuer Assets are reduced,

subject to the French Issuer having sufficient funds available to it to discharge all liabilities connected with the French Units.

All French Units which are redeemed in full will be cancelled forthwith and may not be resold or reissued.

Calculation and Application of Amounts

In respect of the French Units, the French Issuer Management Company shall, two business days prior to each French Unit Interest Payment Date or on any other day on which the French Issuer is obliged to make a French Issuer Priority Payment, instruct the French Issuer Custodian, who shall in turn instruct the French Issuer Operating Bank (with a copy to the French Issuer Management Company):

(a) to pay the French Issuer Priority Payments as and when they fall due;

(b) to apply the French Available Interest Receipts (if any) then available in accordance with the French Available Interest Receipts Priority of Payments; and

(c) to apply the French Available Principal Receipts (if any) then available in or towards repayment of the aggregate principal amount outstanding of the French Units.

The French Issuer shall also, on each French Unit Interest Payment Date, pay to the Issuer all French Prepayment Fees received into the French Issuer Transaction Account during the previous French Unit Collection Period, as part of the interest payable in respect of the French Units.

Tax

All payments by, or on behalf of, the French Issuer in respect of the French Units shall be made free and clear of and without withholding or deduction for or on account of tax, except to the extent that the deduction or withholding is required by law. In the event that a withholding or deduction is imposed for or on account of tax, the French Issuer will not be obliged to pay additional amounts in respect of any such withholding or deduction. Thus, the recipient of such payment will bear the risk of such deduction or withholding being imposed. No such withholding or deduction will be imposed for or on account of tax in respect of payments to the Issuer under the French Units as at the date of this Offering Circular or the Closing Date but may arise thereafter as a result of a change in law or if the Issuer ceases to be the sole holder of the French Units.

Liquidation of French Issuer and Disposal of French Loans

The French Issuer will be restricted in its ability to dispose of the French Issuer Assets. Other than in connection with a repurchase by the Originator pursuant to the French Asset Transfer Agreement, the French Issuer may only dispose of the French Issuer Assets, or any of them, upon the occurrence of certain "liquidation events".

Thus, pursuant to Article L214-43 of the *Code monétaire et financier*, the French Issuer may dispose of any French Loans which have become due (*créance échue*) or which have been accelerated (*créance déchue de som terme*) upon a request by the Unitholders.

In addition, the French Issuer Management Company will liquidate the French Issuer under certain circumstances in accordance with Article 214-43 of the *Code monétaire et financier*. Most significantly, such power will be exercised by the French Issuer Management Company if a change in circumstances has occurred (not being relating to credit events in respect of the French Loans) which may result in the reduction of the level of security benefiting the Unitholders. Such a reduction could be regarded as having occurred if:

(a) default is made by the French Issuer for a period of five days after the due date for payment of interest on or the repayment of principal of the French Units in circumstances where the French Issuer has funds available for such purpose; or

(b) subject to applicable cure or grace periods, default is made by the French Issuer in the performance or observance of any obligation binding upon it under the terms and conditions of the French Units or any of the transaction documents to which the French Issuer is a party.

Unlike the Irish Issuer, the French Issuer will, by virtue of the its privileged position under French law, not susceptible to insolvency.

Further, for so long as all the French Units are held by a single Unitholder, such Unitholder may require the French Issuer Management Company to liquidate the French Issuer.

Governing Law

The French Units shall be governed by and construed in accordance with the laws of France.

Limited Recourse

Any claim that any Unitholder of the French Units has against the French Issuer in respect of the French Units shall be limited to the value of the French Issuer Assets and amounts realised on enforcement of security granted in respect thereof. The proceeds of realisation of the French Issuer Assets may, after paying or providing for all prior ranking claims of the French Issuer, be less than sums due to the Unitholders in respect of the French Units. In the event that the proceeds of such enforcement are insufficient, the French Issuer's obligation to pay such amounts will be extinguished and the Unitholders will have no further claim against the

French Issuer in respect of such unpaid amounts. The French Issuer will have no recourse against MSDW Bank save as provided for in the French Asset Transfer Agreement as described in "Sale of Originated Assets – Representations and Warranties" at page 119.

The French Units are, therefore, intended to operate as pass-through instruments enabling amounts received by the French Issuer under the French Issuer Assets (less certain administrative expenses and security costs) to be passed through to the Issuer to enable the Issuer to pay, among other things (and in accordance with the Issuer's relevant priorities of payment), interest and principal on the Notes.

The Irish Notes

The Irish Issuer

ELoC Ireland 1 Limited is the Irish Issuer. The Irish Issuer is a private limited liability company incorporated in Ireland on 3rd June, 2003 (registered number 371744) under the Irish Companies Acts, 1963-2001.

The registered office of the Irish Issuer is at Trinity House, Charleston Road, Ranelagh, Dublin 6, Ireland. The principal officers of the Irish Issuer are Adrian Masterson (company director), John Walley (company director) and Structured Finance Management (Ireland) Limited (company secretary), each of Trinity House, Charleston Road, Ranelagh, Dublin 6.

Under the Irish Issuer's Memorandum of Association, the purpose for which the Irish Issuer is established includes, among other things, the acquisition and management of financial assets and the financing thereof by any applicable means including the issue of notes, together with related activities ancillary thereto. Since the date of its incorporation, the Irish Issuer has not engaged in any activity other than those permitted under Clause 2.1 of its Memorandum of Association, nor has it traded, made any profits or losses or paid any dividends.

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

The Irish Issuer has entered into a number of contracts in connection with the issue of the Irish Notes, the acquisition of the Irish Issuer Assets and for the provision of administrative, secretarial, legal and tax services to it. The Irish Issuer may enter into other contracts in connection with the issue of other notes.

The capitalisation and indebtedness of the Irish Issuer as at the date of this Offering Circular is as follows:

Share Capital

The authorised and issued share capital of the Irish Issuer comprises 10,000 shares of ε1 each of which one share of ε1 is fully paid up and issued.

Loan Capital

The Irish Issuer has no outstanding indebtedness.

BDO Simpson Xavier has been appointed by the Irish Issuer as its statutory auditor. No statutory financial statements of the Irish Issuer have been drawn up and audited for any period since its establishment.

General provisions applicable to the Irish Notes

The Irish Notes will be issued on the Closing Date in an aggregate principal amount of ε54,903,400 and in denominations of at least ε50,000 and integral multiples of ε100 above. The Irish Notes will be issued in certificated form with their terms and conditions attached. Title to the Irish Notes will pass upon registration of transfers in the register (the "**Irish Note Register**") maintained for such purpose by the Irish Issuer Corporate Services Provider.

The Issuer will subscribe for all the Irish Notes at par on the Closing Date out of a portion of the proceeds raised from the issue of the Notes.

The Irish Notes are structured to be "pass-through" instruments. Thus, the amount of interest paid and principal repaid in respect of the Irish Notes on any Irish Note Interest Payment Date is dependent upon the amount of interest paid, principal repaid and prepayment fees received in respect of the Irish Loans in the Irish

Note Collection Period immediately preceding such Irish Note Interest Payment Date, as well as upon the expenses of the Irish Issuer which are met out of cash-flow received in respect of the Irish Loans in accordance with the Irish Issuer Priority of Payments.

The Irish Notes will not be the obligation or responsibility of any person other than the Irish Issuer. In particular, but without limitation, the Irish Notes will not be the obligation or responsibility of, or be guaranteed by MSDW Bank, any of the Irish Issuer Related Parties or any of their respective affiliates and none of such persons accepts any liability whatsoever in respect of any failure by the Irish Issuer to make payments of any amounts due in respect of the Irish Notes.

Summary of Terms and Conditions of the Irish Notes

Form, Denomination and Title

Title to the Irish Notes will pass upon registration of transfers in the Irish Note Register maintained by the Irish Issuer Corporate Services Provider. The Irish Issuer may treat the registered holder of the Irish Notes (each "**Irish Noteholder**") as the absolute owner for all purposes.

Transfers

Prior to the enforcement of the Issuer Security or unless the Collateral Manager has purchased the Irish Notes pursuant to the Collateral Management Agreement, only the Issuer will be registered as the Irish Noteholder in respect of the Irish Notes. Following enforcement of the Issuer Security with respect to the Irish Notes or if the Collateral Manager purchases the Irish Notes, the Irish Notes may be transferred (subject to the restrictions contained in the Irish Note Subscription Deed) in whole or in part by the transferor depositing the Irish Note certificate for registration of such transfer with the Irish Issuer Corporate Services Provider, with a duly completed form of transfer. Upon such receipt, the Irish Issuer Corporate Services Provider will authenticate and deliver a new certificate to the transferee for the appropriate principal amount and register the transfer in the Irish Note Register.

The Irish Issuer will (subject to the restrictions contained in the Irish Note Subscription Deed) fully co-operate with each Irish Noteholder in facilitating a permissible transfer of the Irish Notes, including obtaining any registrations which may be required under any applicable securities laws.

Security and Events of Default

The obligations of the Irish Issuer to the Irish Noteholders in respect of the Irish Notes are secured by the Irish Issuer Assets pursuant to the provisions of the Irish Deed of Charge and Assignment. The security interests granted under the Irish Deed of Charge and Assignment will become enforceable following the occurrence of an event of default under the terms and conditions of the Irish Notes. Such an event of default will occur if:

(a) subject to it having funds available for this purpose, default is made by the Irish Issuer for a period of five days in the payment of any amount of interest on or the repayment of any amount of principal of the Irish Notes;

(b) subject to grace and/or cure periods, default is made by the Irish Issuer in the performance or observance of any obligations under the terms and conditions of the Irish Notes or any of the transaction documents to which the Irish Issuer is a party; and

(c) certain insolvency related events occur in respect of the Irish Issuer.

The Irish Noteholders and certain other parties (together the "**Irish Issuer Secured Parties**") have appointed MSMS as security trustee to hold the benefit of the security granted by the Irish Issuer, in accordance with the terms of the Irish Deed of Charge and Assignment.

Interest

Interest on the Irish Notes shall be payable on each Irish Note Interest Payment Date on an available funds basis, in an amount equal to all amounts credited to the Irish Issuer Transaction Account pursuant to sub-paragraph (c) of the Irish Available Interest Receipts Priority of Payments on such date, together with Irish Prepayment Fees which will be paid directly to the Issuer.

Redemption and Cancellation

Unless previously redeemed in full, the Irish Notes shall be redeemed at the Irish Note Principal Amount Outstanding on the Irish Note Maturity Date, less any principal losses arising in respect of the Irish Loans. The "**Irish Note Principal Amount Outstanding**" at any time is the aggregate principal amount of the Irish Notes on the Closing Date less any amount of principal prepaid thereon from time to time.

After the Irish Note Maturity Date, any Irish Note Principal Amount Outstanding shall be automatically cancelled, so that the Irish Noteholders, after such date, shall have no right to assert a claim in this respect against the Irish Issuer, regardless of the amounts that may remain unpaid after the Irish Note Maturity Date.

The Irish Notes shall be subject to mandatory redemption in whole or in part in the event of any repayment or prepayment in whole or in part of the Irish Loans by the Irish Borrowers or repurchase of the Irish Loans pursuant to the Irish Asset Transfer Agreement or disposal of the Irish Loans following the occurrence of any event of default in respect of the Irish Notes.

The Irish Notes shall mandatorily be redeemed in full if:

(a) by virtue of a change in law after the Closing Date, payments on the Irish Notes become subject to any withholding or deduction for tax; or

(b) by virtue of a change in law after the Closing Date, the amounts receivable by the Irish Issuer under or in respect of the Irish Issuer Assets are reduced,

subject to the Irish Issuer having sufficient funds available to it to discharge all liabilities connected with the Irish Notes.

Calculation and Application of Amounts

In respect of the Irish Notes, the Irish Issuer shall:

(a) on each Irish Note Interest Payment Date and on any other day on which the Irish Issuer is obliged to make an Irish Issuer Priority Payment, pay the Irish Issuer Priority Payments as and when they fall due;

(b) on each Irish Note Interest Payment Date, apply the Irish Available Interest Receipts (if any) then available in accordance with the Irish Available Interest Receipts Priority of Payments; and

(c) on each Irish Note Interest Payment Date, apply the Irish Available Principal Receipts (if any) then available in or towards repayment of the aggregate principal amount outstanding of the Irish Notes.

The Irish Issuer shall also, on each Irish Note Interest Payment Date, pay to the Issuer all Irish Prepayment Fees received into the Irish Issuer Transaction Account during the previous Irish Note Collection Period, as part of the interest payable in respect of the Irish Note.

Tax

All payments by, or on behalf of, the Irish Issuer in respect of the Irish Notes shall be made free and clear of and without withholding or deduction for or on account of tax, except to the extent that the deduction or withholding is required by law. In the event that a withholding or deduction is imposed for or on account of tax, the Irish Issuer will not be obliged to pay additional amounts in respect of any such withholding or deduction so that the recipient of such payment will bear the risk of such deduction or withholding being imposed. No such withholding or deduction will be imposed for or on account of tax in respect of payments to the Issuer under the Irish Notes as at the date of this Offering Circular but may arise thereafter as a result of a change in law or if the Issuer ceases to be the sole holder of the Irish Notes. As at the date of this Offering Circular, the Issuer is beneficially entitled to all payments of interest and principal under the Irish Notes.

Governing Law

The Irish Notes shall be governed by and construed in accordance with the laws of Ireland.

Limited Recourse

Any claim that any Irish Noteholder of the Irish Notes has against the Irish Issuer in respect of the Irish Notes shall be limited to the value of the Irish Issuer Assets and amounts realised on enforcement of security in respect thereof. The proceeds of realisation of the Irish Issuer Assets may, after paying or providing for all prior ranking claims of the Irish Issuer, be less than sums due to the Irish Noteholders in respect of the Irish Notes. In such event, any shortfall in the amount due to the Irish Noteholders under the Irish Notes will be extinguished. For the avoidance of doubt, no claim may be made on any other assets of the Irish Issuer. The Irish Issuer will have no recourse against MSDW Bank save as provided for in the Irish Asset Transfer Agreement as described in "Sale of Originated Assets – Representations and Warranties" at page 119.

The Irish Notes, therefore, are intended to operate as pass-through instruments enabling amounts received by the Irish Issuer under the Irish Issuer Assets (less certain administrative expenses) to be passed through to the Issuer to enable the Issuer to pay, among other things (and in accordance with the Issuer's priorities of payment), interest and principal on the Notes.

THE STRUCTURE OF THE ACCOUNTS

The Relevant Accounts

Cashflow derived from each of the Originated Assets will be paid, in the case of the French Originated Assets and the Irish Originated Assets through accounts held in the name of the French Issuer and the Irish Issuer respectively to the Issuer Transaction Account and in the case of the Belgian Bonds will be paid directly to the Issuer Transaction Account. In addition, the Issuer will have certain other accounts. Each of the relevant accounts is described below.

The Issuer Transaction Account

The Issuer Operating Bank will open and maintain an account in the name of the Issuer (the "**Issuer Transaction Account**") into which all amounts arising in respect of the Issuer Assets will be paid. The Cash Manager will make all payments required to be made on behalf of the Issuer from the Issuer Transaction Account.

The Issuer Deposit Account

The Issuer Operating Bank will open and maintain the Issuer Deposit Account in the name of the Issuer into which a portion of the proceeds from the issue of the Notes will be credited on the Closing Date, such amount to be used by the Issuer to purchase the Belgian Bonds on the Belgian Bond Transfer Date.

The Swap Collateral Cash Account and the Swap Collateral Custody Account

Any cash amounts received by the Issuer pursuant to the Swap Agreement Credit Support Document will be paid into an interest-bearing account in the name of the Issuer with the Issuer Operating Bank (the "**Swap Collateral Cash Account**") and securities received by the Issuer pursuant to the Swap Agreement Credit Support Document will be deposited into a custody account (the "**Swap Collateral Custody Account**"). The Swap Collateral Custody Account shall also be held with the Issuer Operating Bank. From time to time, subject to the conditions to be specified in the Swap Agreement Credit Support Document, the Swap Provider may make transfers of collateral to the Issuer in support of its obligations under the Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Swap Agreement Credit Support Document.

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

The Stand-by Account

Any Stand-by Drawing which the Issuer may require from the Liquidity Facility Provider will be credited to an account in the name of the Issuer (the "**Stand-by Account**") with the Issuer Operating Bank. If the Issuer Operating Bank ceases to have a "F1+" rating (or its equivalent) by Fitch, an "A-1+" rating (or its equivalent) by Standard and Poor's or a "P1" rating (or its equivalent) by Moody's, in each case for its short-term, unguaranteed, unsecured and unsubordinated debt obligations (or such other short-term debt rating as is commensurate with the rating assigned to the Notes from time to time) (the "**Requisite Rating**"), the Stand-by Drawing shall be transferred by the Issuer, within 30 days of the Issuer Operating Bank ceasing to hold the Requisite Rating, to an account with the Liquidity Facility Provider or, if the Liquidity Facility Provider does not have at that time, or thereafter ceases to have the Requisite Rating (and within 30 days thereof), any bank which has the Requisite Rating. If the bank at which the Stand-by Account is held ceases to have, the Requisite Rating, the Issuer shall be required to open a new Stand-by Account within 30 days with a bank with the Requisite Rating and procure the transfer of the funds standing to the credit of the existing Stand-by Account to the new Stand-by Account.

If a Liquidity Support Event has occurred and is continuing, on each Notice Interest Payment Date an amount equal to the Available Receipts Component of the Supplemental Collateral Management Fee shall be transferred from the Issuer Transaction Account to the Stand-by Account in accordance with the applicable priority of payments.

The French Issuer Transaction Account

The French Issuer Operating Bank will open and maintain the French Issuer Transaction Account in the name of the French Issuer. Amounts arising in respect of the French Issuer Assets will be paid into the French

Issuer Transaction Account. The French Issuer Operating Bank will make all payments required to be made on behalf of the French Issuer from the French Issuer Transaction Account.

For further information about the French Issuer Operating Bank. See "The Parties – The French Issuer and its Related Parties – The French Issuer Operating Bank and the French Issuer Cash Manager" at page 87.

The Irish Issuer Transaction Account

The Irish Issuer Operating Bank will open and maintain the Irish Issuer Transaction Account in the name of the Irish Issuer. All amounts arising in respect of the Irish Issuer Assets will be paid into the Irish Issuer Transaction Account. The Irish Issuer Operating Bank will make all payments required to be made on behalf of the Irish Issuer from the Irish Issuer Transaction Account.

For further information about the Irish Issuer Operating Bank, see "The Parties – The Irish Issuer and its Related Parties – The Irish Issuer Operating Bank" at page 88.

Other Accounts

The various accounts through which funds flow in respect of each of the Loans are described elsewhere in this Offering Circular. For further information about the flow of funds in relation to the French Loans, see "Summary – Payments on the French Loans" at page 21, for further information about the flow of funds in relation to the Irish Loans, see "Summary – Payments on the Irish Loans" at page 30 and for further information about the flow of funds in relation to the Belgian Bonds, see "Summary - Payments on the Belgian Bonds" at page 38.

THE LOAN POOL

The aggregate of the principal balances of all of the Loans (together, the "**Loan Pool**") as at the Cut-Off Date, was ε304,808,930. All of the Loans are current as of the Cut-Off Date.

The Loans had, at origination, a weighted average maturity of approximately 5.5 years. The Loans bear interest quarterly on the current principal balance outstanding. Each Loan may consist of one or more tranches which may differ in terms of interest rate characteristics, principal repayment profile and maturity. In addition, each Loan may be secured by a first fixed charge on more than one Property.

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

(a) "**Cut-Off Date**" means the date as at which the information is provided, being 30th September, 2003.

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

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

(d) "**Original Term to Maturity**" means the number of quarterly periods remaining to the maturity of the Loans as of the origination date.

(e) "**Cut-Off Date ICR**" means the interest cover ratio ("**ICR**") calculated as of the Cut-Off Date.

(f) "**Cut-Off Date LTV**" means the loan to value ratio of a Loan as of the Cut-Off Date and the relevant Property value as set out in the relevant Origination Valuation.

(g) "**Maturity Date LTV**" means the loan to value ratio of a Loan determined by using the value of the relevant Property as set out in the relevant Origination Valuation and the scheduled principal amount of the Loan outstanding as at its scheduled maturity date and assuming no prepayment other than scheduled prepayments. The balloon payment in respect of each Loan is expected to be paid on its scheduled maturity date.

Because the Cut-Off Date ICR are annualised, it is important to take into account the method by which the rental cashflows are modelled. The assumptions on which the rental cashflows model is based are the following:

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

(b) When the lease agreement provides for an increase or decrease in the contractual rent payable, such increase or decrease in the contractual rent payable is taken into account.

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

(d) If the unit is vacant, void costs are taken into consideration.

(e) At either the termination date of the lease or the first break option date under the lease agreement, where a break option is present in the lease agreement, it is assumed that the tenant terminates the lease/exercises the break option and the space vacates.

(f) The time assumed to re-let a space after the lease termination date or break option date is twelve months for all of the Properties securing the Loans except the Belgian Bonds, where the void period is assumed to be six months.

(g) It is also assumed that the space is re-let for the remainder of the term of the relevant Loan for a rent equal to the lower of (i) the contractual rent applicable to that space immediately prior to the relevant lease termination date or break option date, and (ii) the estimated rental value of that space as at the date of the relevant Origination Valuation.

(h) When a space in a Property is vacant at the time of origination of the related Loan, it is assumed that such space remains vacant throughout the term of the Loan.

Cut-Off Date Balances

Cut-Off Date Balances			Number of Loans	Aggregate Cut-Off Date Loan Amount	Percentage by Aggregate Cut-Off Date Loan Amount	Weighted Average Mortgage Rate	Weighted Average Original Term to Maturity	Weighted Average Remaining Term to Maturity	Weighted Average Cut-Off Date ICR	Weighted Average Cut-Off Date LTV	Weighted Average Maturity Date LTV
(ε)		(ε)		(ε)			(Years)	(Years)			
0	≤	20,000,000	2	16,780,000	5.5%	5.40%	3.99	2.95	2.38	67.5%	54.5%
20,000,000	≤	40,000,000	1	25,081,692	8.2%	5.58%	5.09	4.16	1.09	63.7%	52.5%
40,000,000	≤	60,000,000	2	114,481,237	37.6%	5.80%	5.72	4.09	1.52	77.8%	71.1%
60,000,000	≤	80,000,000	1	67,575,000	22.2%	4.59%	4.10	3.89	1.36	82.8%	72.5%
80,000,000	≤	100,000,000	1	80,891,000	26.5%	5.85%	6.98	6.19	2.07	84.7%	54.5%
Total			**7**	**304,808,930**	**100.0%**	**5.50%**	**5.55**	**4.55**	**1.64**	**79.0%**	**64.5%**
Minimum		**6,280,000**									
Maximum		**80,891,000**									
Average Cut-Off Date Balance		**43,544,133**									

Mortgage Rate

Mortgage Rate			Number of Loans	Aggregate Cut-Off Date Loan Amount	Percentage by Aggregate Cut-Off Date Loan Amount	Weighted Average Mortgage Rate	Weighted Average Original Term to Maturity	Weighted Average Remaining Term to Maturity	Weighted Average Cut-Off ICR	Weighted Average Cut-Off Date LTV	Weighted Average Balloon LTV
				(ε)			(Years)	(Years)			
0.00%	≤	5.00%	1	67,575,000	22.2%	4.59%	4.10	3.89	1.36	82.8%	72.5%
5.00%	≤	5.50%	2	69,900,000	22.9%	5.28%	3.75	2.80	1.86	77.5%	71.7%
5.50%	≤	6.00%	3	112,252,692	36.8%	5.79%	6.58	5.75	1.87	79.4%	53.2%
6.00%	≤	6.50%	1	55,081,237	18.1%	6.32%	7.51	5.12	1.25	75.4%	68.8%
Total			**7**	**304,808,930**	**100.0%**	**5.50%**	**5.55**	**4.55**	**1.64**	**79.0%**	64.5%
Minimum		**4.59%**									
Maximum		**6.32%**									
Weighted Average Mortgage Rate		**5.50%**									

Cut-Off Date Loan-to-Value Ratios

Cut-Off Date LTV Ratios			Number of Loans	Aggregate Cut-Off Date Loan Amount	Percentage by Aggregate Cut-Off Date Loan Amount	Weighted Average Mortgage Rate	Weighted Average Original Term to Maturity	Weighted Average Remaining Term to Maturity	Weighted Average Cut-Off Date ICR	Weighted Average Cut-Off Date LTV	Weighted Average Balloon LTV
				(ε)		(Years)	(Years)				
60%	≤	65%	2	35,581,692	11.7%	5.42%	4.19	3.19	1.47	63.7%	55.8%
70%	≤	75%	1	6,280,000	2.1%	5.98%	7.26	6.44	2.40	73.9%	39.2%
75%	≤	80%	1	55,081,237	18.1%	6.32%	7.51	5.12	1.25	75.4%	68.8%
80%	≤	85%	3	207,866,000	68.2%	5.29%	5.21	4.57	1.75	82.8%	65.7%
Total			**7**	**304,808,930**	**100.0%**	**5.50%**	**5.55**	**4.55**	**1.64**	**79.0%**	**64.5%**
Minimum		**63.6%**									
Maximum		**84.7%**									
Weighted Average Cut-Off Date LTV		**79.0%**									

Maturity Date Loan-to-Value Ratios

Maturity Date LTV			Number of Loans	Aggregate Cut-Off Date Loan Amount	Percent by Aggregate Cut-Off Date Loan Amount	Weighted Average Mortgage Rate	Weighted Average Original Term to Maturity	Weighted Average Remaining Term to Maturity	Weighted Average Cut-Off ICR	Weighted Average Cut-Off Date LTV	Weighted Average Balloon LTV
				(ε)		(Years)	(Years)				
35%	≤	45%	1	6,280,000	2.1%	5.98%	7.26	6.44	2.40	73.9%	39.2%
45%	≤	55%	2	105,972,692	34.8%	5.78%	6.54	5.71	1.84	79.7%	54.0%
55%	≤	65%	1	10,500,000	3.4%	5.05%	2.04	0.86	2.37	63.6%	63.6%
65%	≤	75%	3	182,056,237	59.7%	5.35%	5.11	4.02	1.46	79.7%	71.6%
Total			**7**	**304,808,930**	**100.0%**	**5.50%**	**5.55**	**4.55**	**1.64**	79.0%	64.5%
Minimum		**39.2%**									
Maximum		**73.2%**									
Weighted Average Maturity Date LTV		**64.5%**									

Cut-Off Date Interest Coverage Ratios

Cut-Off Date ICR			Number of Loans	Aggregate Cut-Off Date Loan Amount	Percent by Aggregate Cut-Off Date Loan Amount	Weighted Average Mortgage Rate	Weighted Average Original Term to Maturity	Weighted Average Remaining Term to Maturity	Weighted Average Cut-Off Date ICR	Weighted Average Cut-Off Date LTV	Weighted Average Balloon LTV
				(ε)		(Years)	(Years)				
100%	≤	120%	1	25,081,692	8.2%	5.58%	5.09	4.16	1.09	63.7%	52.5%
120%	≤	170%	2	122,656,237	40.2%	5.36%	5.63	4.44	1.32	79.5%	70.8%
170%	≤	220%	2	140,291,000	46.0%	5.62%	5.74	4.90	1.94	82.7%	62.4%
220%	≤	270%	2	16,780,000	5.5%	5.40%	3.99	2.95	2.38	67.5%	54.5%
Total			**7**	**304,808,930**	**100.0%**	**5.50%**	**5.55**	**4.55**	**1.64**	**79.0%**	**64.5%**
Minimum		**109%**									
Maximum		**240%**									
Weighted Average Cut-Off Date ICR		**164%**									

Regions

Region	Number of Properties	Aggregate Property Value	Percentage by Aggregate Property Value	Aggregate Cut-Off Date Allocated Loan Amount	Percentage by Aggregate Cut-Off Date Loan Amount	Weighted Average Cut-Off Date Allocated LTV
		(ε)		(ε)		
Outer Brussels	4	27,670,000	7.1%	22,136,894	7.3%	80.0%
Brussels – Leopold District	4	46,577,000	12.0%	37,263,106	12.2%	80.0%
Dublin	1	73,009,939	18.8%	55,081,237	18.1%	75.4%
Ile de France	6	241,480,000	62.1%	190,327,692	62.4%	79.7%
Total	**15**	**388,736,939**	**100%**	**304,808,930**	**100.0%**	**79.0%**

Property Type

Property Type	Number of Properties	Aggregate Property Value	Percentage by Aggregate Property Value	Aggregate Cut-Off Date Allocated Loan Amount	Percentage by Aggregate Cut-Off Date Allocated Loan Amount	LTV
		(ε)		(ε)		
Office	14	386,096,939	99.3%	302,696,844	99.3%	79.0%
Light Industrial/Warehouse	1	2,640,000	0.7%	2,112,085	0.7%	80.0%
Total	**15**	**388,736,939**	**100.0%**	**304,808,930**	**100.0%**	**79.0%**

Towns

Town	Number of Properties	Aggregate Property Value	Percentage by Aggregate Property Value	Aggregate Cut-Off Date Allocated Loan Amount	Percentage by Aggregate Cut-Off Date Allocated Loan Amount	Weighted Average Cut-Off Date Allocated LTV
		(£)		(£)		
Zaventem	1	2,640,000	0.7%	2,112,085	0.7%	80.0%
Sint-Stevens-Woluwe	1	6,140,000	1.6%	4,912,198	1.6%	80.0%
Waterloo	1	7,200,000	1.9%	5,760,233	1.9%	80.0%
Jouy en Josas	1	8,500,000	2.2%	6,280,000	2.1%	73.9%
Grand Bigard	1	11,690,000	3.0%	9,352,378	3.1%	80.0%
Colombes	1	16,500,000	4.2%	10,500,000	3.4%	63.6%
Montrouge	2	39,400,000	10.1%	25,081,692	8.2%	63.7%
Brussels	4	46,577,000	12.0%	37,263,106	12.2%	80.0%
Dublin	1	73,009,939	18.8%	55,081,237	18.1%	75.4%
Nanterre	1	81,580,000	21.0%	67,575,000	22.2%	82.8%
Elancourt	1	95,500,000	24.5%	80,891,000	26.5%	84.7%
Total	**15**	**388,736,939**	**100.0%**	**304,808,930**	**100%**	**79.0%**

Loans

Loan Name	Loan No.	Cut-Off Date Balance	Percentage by Cut-Off Date Balance	Cut-Off Date LTV	Maturity Date	Cut-Off Date ICR	Weighted Average remaining lease term (years)
		(£)					
Fortress	1	59,400,000	19.49%	80.0%	05-Nov-06	1.77	4.7
Corvettes	2	10,500,000	3.44%	63.6%	05-Aug-04	2.37	5.7
Carlyle-Montrouge	3	25,081,692	8.23%	63.7%	05-Nov-07	1.09	0.9
Elancourt	4	80,891,000	26.54%	84.7%	05-Nov-09	2.07	7.4
Josas	5	6,280,000	2.06%	73.9%	05-Feb-10	2.40	7.4
Carlyle-Carillon	6	67,575,000	22.17%	82.8%	31-Jul-07	1.36	11.5
Cosgrave	7	55,081,237	18.07%	75.4%	16-Oct-08	1.25	22.9
Total		**304,808,930**	**100.00%**	**79.0%**	**23-Mar-08**	**1.64**	**9.9**

Amortisation Schedule

Payment Date of Loans £	With Balloon £	Without Balloon £
Nov-03	1,422,517	1,422,517
Feb-04	1,862,158	1,862,158
May-04	1,916,158	1,916,158
Aug-04	12,438,158	1,938,158
Nov-04	2,247,158	2,247,158
Feb-05	2,484,553	2,484,553
May-05	2,565,553	2,565,553
Aug-05	2,985,263	2,985,263
Nov-05	3,030,132	3,030,132
Feb-06	3,118,047	3,118,047
May-06	3,275,150	3,275,150
Aug-06	3,330,467	3,330,467
Nov-06	57,156,991	2,837,991
Feb-07	2,876,334	2,876,334
May-07	2,992,584	2,992,584
Aug-07	61,344,648	2,223,648
Nov-07	22,415,845	1,721,691
Feb-08	1,744,691	1,744,691
May-08	1,778,691	1,778,691
Aug-08	1,802,691	1,802,691
Nov-08	51,749,141	1,531,000
Feb-09	1,555,000	1,555,000
May-09	1,600,000	1,600,000
Aug-09	1,615,000	1,615,000
Nov-09	52,172,000	167,000
Feb-10	3,330,000	-
Total	**304,808,930**	**54,621,635**

The French Issuer Assets

SNC Parc des Corvettes Loan

Loan Information	
Original Balance:	ε10,500,000
Cut-Off Date Balance:	ε10,500,000
Next Payment Date:	5th February, 2004
Interest Rate:	5.05%
Amortisation:	No Amortisation
Cut-Off Date ICR[1] :	237.2%
Maturity Date:	5th August, 2004
Expected Maturity Balance:	ε10,500,000
Borrower:	SNC Parc des Corvettes
Sponsor(s):	AWON Group, Princeton France, Upton Holdings
Interest Calculation:	Actual/360
Dividend Trap (ICR):	125%
Interest Cover	110%
Covenant:	
Pledged Rent Account:	Yes
Escrow Account:	-

Property Information			
Single Asset/Portfolio:	Single asset		
Property Type:	Office/Light Industrial		
Location:	Paris Region		
Year Built:	1991		
Occupancy:	84%		
Square Metreage:	14,093		
The Collateral:	Office building in Colombes		
Major Tenants	**%SqM**	**%Rent**	**Rent**
SNCF Participations	16.2%	33.0%	ε 504,623
Allium	32.9%	30.1%	ε 459,914
Reflex Immobilier	7.8%	6.0%	ε 91,979
Paris Nord Electronique	6.4%	5.9%	ε 90,492
Anders + Kern audiovisuel SAS	3.6%	5.0%	ε 76,459
Passing Rent:			ε1,530,098
Appraised Value:			ε16,500,000
Valuer:			Jones Lang La Salle
Cut-Off Date LTV:			63.6%
Maturity Date LTV:			63.6%
Cut-Off Date DSCR[2]:			237.2%

Instalments Schedule		
Date of Instalment	**Amount of Interest Instalment (ε)**	**Amount of Repayment Instalment (ε)**
5th February, 2004	135,508	-
5th May, 2004	132,563	-
5th August, 2004	135,508	10,500,000

The Loan

The ε10.5 million Loan was used to refinance certain existing credit facilities, as well as to finance ε514,000 of works to improve the Property and finally to repay part of an existing shareholders' loan.

A balloon payment is expected to be paid in respect of the Loan on the scheduled maturity date. The Maturity Date LTV of the Loan is 63.6 per cent.

The Property

The Property is located in Colombes, in the North West suburbs of Paris, close to Nanterre and La Défense.

The Property was built in 1991. The total area of the Property is 14,093 square metres, comprising 10,443 square metres of office space, 3,048 square metres of light industrial space and 602 square metres which is used as a restaurant. It is constructed on five upper floors and two underground floors providing 366 interior parking spaces with 113 additional exterior parking spaces.

The Origination Valuation of the Property, provided by Jones Lang LaSalle in August 2002, was ε16.5 million.

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1 Cut-Off Date ICR based on the next four quarters' net rents and interest due.

2 Cut-Off Date DSCR based on the next four quarters net rents and interest/principal due.

Tenure

The annual Rental Income of ε1,530,098 generated by the Property reflects an initial yield of 9.3 per cent. based on the Origination Valuation. Both office and light industrial space is approximately 84 per cent. let to 15 tenants, mostly under standard three, six or nine year full repairing and insuring occupational lease agreements (with the exception of major structural repairs). Over 40 per cent. of the leases granted in respect of the Property contain break provisions that would allow the termination of the leases before the scheduled maturity of the Loan.

As at the Cut-Off Date 16.4 per cent. of the Property by floor area was unlet.

The Borrower/Sponsor

SNC Parc des Corvettes is a joint venture between AWON Group (23.22 per cent.), a real estate asset management company in France, Princeton France (38.34 per cent.), and Upton Holdings (38.34 per cent.).

The asset manager of the Property is Soros Real Estate Funds.

Lease Expiration Summary

The following table shows scheduled lease expirations for the Property financed by the SNC Parc des Corvettes Loan:

Lease Rollover Schedule								
Year	# of Leases Rolling	Square Meters Rolling	% of Total Square Metre Rolling	Cumulative % of SqM Rolling	Annualised Base Rental Revenue Rolling	Average Total Rental Revenue Per SqM Rolling	% of Total Base Rental Revenue Rolling	Cumulative % of Total Rental Revenues Rolling
Vacant	1	2,313	16.4%	16.4%	-	-	-	0.0%
2003	1	372	2.6%	19.0%	63,493	170.7	4.1%	4.1%
2004	1	87	0.6%	19.7%	8,244	94.8	0.5%	4.7%
2005	-	-	-	19.7%	-	-	-	4.7%
2006	-	-	-	19.7%	-	-	-	4.7%
2007	3	6,140	43.6%	63.2%	580,806	94.6	38.0%	42.6%
2008	2	1,096	7.8%	71.0%	111,260	101.5	7.3%	49.9%
2009	1	205	1.5%	72.5%	20,067	97.9	1.3%	51.2%
2010	3	2,659	18.9%	91.3%	569,436	214.2	37.2%	88.4%
2011	2	789	5.6%	96.9%	108,666	137.8	7.1%	95.5%
2012	2	433	3.1%	100.0%	68,126	157.5	4.5%	100.0%
>=2013	-	-	-	100.0%	-	-	-	100.0%
Total	**16**	**14,093**	**100.0%**	**100.0%**	**1,530,098**	**129.9**[1]	**100.0%**	**100.0%**

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the Property financed by the SNC Parc des Corvettes Loan:

[1] Current annualised rent per square metre is based on the total annualised rent and the total rented square metreage.

Largest Tenants Based on Annualised Rent								
Tenant	Credit Rating S&P/Moodys's/Fitch	Tenant Square Metreage	% of Total Square Metreage	Annualised Rent	% of Total Annualised Rent	Current Annualised Rent PSqM	Lease Expiry	First Break Date
SNCF Participations	AAA/Aaa/AAA[1]	2,286	16.2%	504,623	33.0%	220.7	Nov-10	Nov-07
Allium	NR/NR/NR	4,633	32.9%	459,914	30.1%	99.3	Jul-07	Jul-04
Reflex Immobilier	NR/NR/NR	1,101	7.8%	91,979	6.0%	83.5	Apr-07	Apr-04
Paris Nord Electronique	NR/NR/NR	905	6.4%	90,492	5.9%	100.0	Jan-08	
Anders + Kern audiovisuel SAS	NR/NR/NR	512	3.6%	76,459	5.0%	149.3	Apr-11	Apr-05
Brook Hansen	NR/NR/NR	372	2.6%	63,493	4.1%	170.7	Aug-03	
Audio club 1	NR/NR/NR	252	1.8%	44,074	2.9%	174.9	Aug-10	Aug-04
Cadesis	NR/NR/NR	270	1.9%	39,558	2.6%	146.7	Mar-12	Mar-06
Chaumeil Repro SA	NR/NR/NR	277	2.0%	32,207	2.1%	116.4	Feb-11	Feb-05
Alxion Automatique	NR/NR/NR	406	2.9%	28,913	1.9%	71.2	Apr-07	Apr-04
Total/Weighted Average		**11,013**	**78.1%**	**1,431,712**	**93.6%**	**130.0**	**Feb-09**	**Jan-06**
Other Tenants		767	5.4%	98,387	6.4%	128.3	Oct-09	Jul-04
Vacant Space		2,313	16.4%	-	0.0%	-	-	-
Total/Weighted Average		**14,093**	**100.0%**	**1,530,098**	**100.0%**	**129.9[2]**	**Feb-09**	**Dec-05**

[1] SNCF (SNCF Participations' parent company) rating.

[2] Current annualised rent per square metre is based on the total annualised rent and the total rented square metreage.

CEREP Montrouge Loan

Loan Information	
Original Balance:	ε25,400,000
Cut-Off Date Balance:	ε25,081,692
Next Payment Date:	5th February, 2004
Interest Rate:	5.575%
Amortisation:	Amortises down to an LTV of 52.5% at maturity, assuming no unscheduled prepayments occur
Cut-Off Date ICR[1] :	109.0%
Maturity Date:	5th November, 2007
Expected Maturity Balance:	ε20,694,154
Borrower:	CEREP Montrouge 1 SARL & CEREP Montrouge 2 SARL
Sponsor(s):	Carlyle Group
Interest Calculation:	Actual/360
Dividend Trap (ICR):	125%
Interest Cover	110%
Covenant:	
Pledged Rent Account:	Yes
Escrow Account:[2]	ε2,500,000

Property Information			
Single Asset/Portfolio:	Portfolio of 2 Properties		
Property Type:	Office		
Location:	Paris region		
Year Built:	N/A		
Occupancy:	76%		
Square Metreage:	18,823		
The Collateral:	Two separate buildings in Montrouge		
Major Tenants	**%SqM**	**%Rent**	**Rent**
SchlumbergerSema	76.0%	100.0%	ε 2,100,000
Passing Rent:			ε2,100,000
Appraised Value:			ε39,400,000
Valuer:			Insignia Bourdais
Cut-Off Date LTV:			63.7%
Maturity Date LTV:			52.5%
Cut-Off Date DSCR[3]:			102.7%

Instalments Schedule		
Date of Instalment	**Amount of Interest Instalment (ε)**	**Amount of Repayment Instalment (ε)**
5th February, 2004	356,108	-
5th May, 2004	348,367	-
5th August, 2004	356,108	-
5th November, 2004	356,108	-
5th February, 2005	356,108	-
5th May, 2005	344,496	-
5th August, 2005	356,108	409,711
5th November, 2005	350,271	458,579
5th February, 2006	343,738	465,494
5th May, 2006	326,113	480,202
5th August, 2006	330,264	483,519
5th November, 2006	323,375	487,043
5th February, 2007	316,436	494,387
5th May, 2007	299,304	508,893
5th August, 2007	302,142	512,957
5th November, 2007	294,834	20,694,154

The Loan

The Originator financed the acquisition of the Properties with a Loan in an initial amount of ε25.4 million. The Cut-Off Date LTV is 63.7 per cent., based on an Origination Valuation of ε39.4 million provided by Insignia Bourdais in September 2002.

The Loan, which has a term of five years, amortises to ε20.7 million at the time of its scheduled maturity resulting in a Maturity Date LTV of 52.5 per cent. The Loan is structured so that full cross-collateralisation with respect to both Properties is achieved and with a release price mechanism of 125 per cent. for both Properties.

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1 Cut-Off Date ICR based on the next four quarters net rents and interest due.

2 Escrow Account is intended to cover potential shortfall resulting from vacant space.

3 Cut-Off Date DSCR based on the next four quarters net rents and interest/principal due.

A ε2.5 million bank guarantee was provided by the two Borrowers to cover any potential debt servicing shortfalls in paying interest or repaying principal in respect of the Loan.

The Properties

The Loan is secured by two Properties. The first, a larger property (known as "Barbès" with an area of 14,309 square metres) is fully leased to SchlumbergerSema, and a smaller property (known as "De Gaulle" with an area of 4,514 square metres) has just been refurbished and is currently being marketed.

Both Properties are adjacent to each other and located in Montrouge, a tertiary suburb in the south of Paris, on the edge of the Western Business District called the "Golden Crescent".

Tenure

SchlumbergerSema, the current occupier of the "Barbès" property, entered into, upon the Loan being made, a 23-month occupational lease (break option exercisable on 31st December, 2003, lease expiring on 31 August, 2004) for an annual "triple net" rent of ε2.1 million, with a step up to ε3.0 million after March 31st, 2004. SchlumbergerSema has given notice that it will exercise its break option on 31st December, 2003. As at the Cut-Off Date, the De Gaulle Property was fully vacant.

The Sponsor

The Carlyle Group is engaged in the business of, among other things, investing in real estate on an international basis.

Lease Expiration Summary

The following table shows scheduled lease expirations for the properties financed by the CEREP Montrouge Loan:

Lease Rollover Schedule								
Year	# of Leases Rolling	Square Metres Rolling	% of Total Square Metre Rolling	Cumulative % of SqM Rolling	Annualised Base Rental Revenue Rolling	Average Total Rental Revenue Per SqM Rolling	% of Total Base Rental Revenue Rolling	Cumulative % of Total Rental Revenues Rolling
Vacant	1	4,514	24.0%	24.0%	-	-	-	-
2003	-	-	-	24.0%	-	-	-	-
2004	1	14,309	76.0%	100.0%	2,100,000	146.8	100.0%	100.0%
2005	-	-	-	100.0%	-	-	-	100.0%
2006	-	-	-	100.0%	-	-	-	100.0%
2007	-	-	-	100.0%	-	-	-	100.0%
2008	-	-	-	100.0%	-	-	-	100.0%
2009	-	-	-	100.0%	-	-	-	100.0%
2010	-	-	-	100.0%	-	-	-	100.0%
2011	-	-	-	100.0%	-	-	-	100.0%
2012	-	-	-	100.0%	-	-	-	100.0%
>=2013	-	-	-	100.0%	-	-	-	100.0%
Total	**2**	**18,823**	**100.0%**	**100.0%**	**2,100,000**	**146.8**	**100.0%**	**100.0%**

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the properties financed by the CEREP Montrouge Loan:

Largest Tenants Based on Annualised Rent								
Tenant	Credit Rating S&P/Moodys's/ Fitch	Tenant Square Metreage	% of Total Square Metreage	Annualised Rent	% of Total Annualised Rent	Current Annualised Rent per SqM	Lease Expiration	First Break Date
SchlumbergerSema	AA-/NR/NR	14,309	76.0%	2,100,000	100.0%	146.8	Aug-04	Dec-03
Total/Weighted Average		**14,309**	**76.0%**	**2,100,000**	**100.0%**	**146.8**	**Aug-04**	**Dec–03**
Other Tenants		-	-	-	-	-	-	-
Vacant Space		4,514	24.0%	-	-	-	-	-
Total/Weighted Average		**18,823**	**100.0%**	**2,100,000**	**100.0%**	**146.8**	**Aug-04**	**Dec-03**

SNC Josas Loan

Loan Information	
Original Balance:	ε6,500,000
Cut-Off Date Balance:	ε6,280,000
Next Payment Date:	5th February, 2004
Interest Rate:	5.98%
Amortisation:	Amortises down to an LTV of 39.2% at maturity, assuming no unscheduled prepayments occur
Cut-Off Date ICR[1] :	239.8%
Maturity Date:	5th February, 2010
Expected Maturity Balance :	ε3,330,000
Borrower:	SNC Josas
Sponsor:	Rana Investment
Interest Calculation:	Actual/360
Dividend Trap (ICR):	125%
Interest Cover	110%
Covenant:	
Pledged Rent Account:	Yes
Escrow Account:	-

Property Information				
Single Asset/Portfolio:	Single asset			
Property Type:	Office/Training Centre			
Location:	Jouy-en-Josas-Paris Region			
Year Built:	1984			
Occupancy:	100%			
Square Metreage:	8,801			
Major Tenants	**%SqM**	**%Rent**	**Rent**	
Thales	100.0%	100.0%	ε898,972	
Annual Rental Income:			ε898,972	
Origination Valuation:			ε8,500,000	
Valuer:			CB Richard Ellis	
Cut-Off Date LTV:			73.9%	
LTV:			39.2%	
Cut-Off Date DSCR[2]:			131.6%	

Instalments Schedule		
Date of Instalment	**Amount of Interest Instalment (ε)**	**Amount of Repayment Instalment (ε)**
5th February, 2004	94,826	76,000
5th May, 2004	91,629	78,000
5th August, 2004	92,473	79,000
5th November, 2004	91,265	80,000
5th February, 2005	90,043	108,000
5th May, 2005	85,510	112,000
5th August, 2005	86,681	113,000
5th November, 2005	84,954	113,000
5th February, 2006	83,227	115,000
5th May,2006	78,813	119,000
5th August, 2006	79,651	120,000
5th November, 2006	77,817	121,000
5th February, 2007	75,968	123,000
5th May, 2007	71,672	127,000
5th August, 2007	72,147	128,000
5th November, 2007	70,191	129,000
5th February, 2008	68,220	131,000
5th May, 2008	64,778	134,000
5th August, 2008	64,170	136,000
5th November, 2008	62,092	138,000
5th February, 2009	59,983	140,000
5th May, 2009	55,957	143,000
5th August, 2009	55,658	145,000
5th November, 2009	53,442	167,000
5th February, 2010	50,890	3,330,000

The Loan

The Originator provided a seven-year Loan in an amount of ε6.5 million secured on the Property, being a mixed office/training centre consisting of seven buildings, located in Jouy-en-Josas, in the vicinity of Paris. The Origination Valuation of the Property, provided by CB Richard Ellis, was ε8.5 million, reflecting a Cut-Off-Date LTV of 73.9 per cent. The Loan amortises down to ε3.3 million reflecting a Maturity Date LTV of 39.2 per cent.

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1 Cut-Off Date ICR based on the next four quarters rents and interest due.

2 Cut-Off Date DSCR is based on the next four quarters rents and interest/principal due.

The Property

The Property, completed in 1984, was purpose-built for Thales as a training centre for its engineers. Built on a 47,044 square metre plot, the Property totals 8,801 square metres in area, divided into seven separate buildings.

The site is known as "Université Thales" and is used for training approximately 10,000 Thales managers and engineers every year. In addition to office space, auditorium and bedrooms, the Property provides for amenities such as 382 parking spaces, a multi-sport gym and a restaurant.

Tenure

The Property is fully let to Thales (rated "A-" by S&P and "A3" by Moody's) under a nine-year occupational lease expiring on 31st December, 2010.

The annual Rental Income generated by the Property is ε898,972 reflecting an initial yield of 10.6 per cent. based on the Origination Valuation of ε8.5 million, or ε966 per square metre.

Key terms of the occupational lease with Thales are as follows:

– nine-year term (no break options), expiring on 31st December, 2010;

– Rental Income of ε898,972 million per annum with all charges, insurance costs and taxes recoverable from tenant with certain limited exceptions;

– Annual indexation based on the Construction Cost Index (Avg. of 2+ per cent. p.a. over the last ten years); and

– Right to sub-let as long as lessee remains jointly and severally liable with the sub-lessees.

The Sponsor

Rana Investment Company is engaged in the business of undertaking investments in real estate, among other things.

Lease Expiration Summary

The following table shows scheduled lease expirations for the property financed by the SNC Josas Loan:

Lease Rollover Schedule								
Year	# of Leases Rolling	Square Metres Rolling	% of Total Square Metres Rolling	Cumulative % of SqM Rolling	Annualised Base Rental Revenue Rolling	Average Total Rental Revenue Per SqM Rolling	% of Total Base Rental Revenue Rolling	Cumulative % of Total Rental Revenues Rolling
Vacant	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-
2011	1	8,801	100.0%	100.0%	898,972	102.1	100.0%	100.0%
2012	-	-	-	100.0%	-	-	-	100.0%
>=2013	-	-	-	100.0%	-	-	-	100.0%
Total	**1**	**8,801**	**100.0%**	**100.0%**	**898,972**	**102.1**	**100.0%**	**100.0%**

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the property financed by the SNC Josas Loan:

Largest Tenants Based on Annualised Rent								
Tenant	Credit Rating S&P/Moodys's/	Tenant Square	% of Total Square	Annualised Rent	% of Total Annualised	Current Annualised	Lease Expiration	First Break

	Fitch	Metreage	Metreage		Rent	Rent Per SqM		Date
Thales	A-/A3/NR	8,801	100.0%	898,972	100.0%	102.1	Dec-10	-
Total/Weighted Average		**8,801**	**100.0%**	**898,972**	**100.0%**	**102.1**	**Dec-10**	**-**
Other Tenants		-	-	-	-	-	-	-
Vacant Space		-	-	-	-	-	-	-
Total/Weighted Average		**8,801**	**100.0%**	**898,972**	**100.0%**	**102.1**	**Dec-10**	**-**

EFP Elancourt Loan

Loan Information	
Original Balance:	ε83,500,000
Cut-Off Date Balance:	ε80,891,000
Next Payment Date:	5th February, 2004
Interest Rate:	5.845%
Amortisation:	Amortises down to an LTV of 54.5% at maturity, assuming no unscheduled prepayments occur
Cut-Off Date ICR[1] :	206.8%
Maturity Date:	5th November, 2009
Expected Maturity Balance:	ε52,005,000
Borrower:	EFP Elancourt SAS
Sponsor(s):	Eurofund Properties
Interest Calculation:	Actual/360
Dividend Trap (ICR):	125%
Interest Cover	110%
Covenant:	
Pledged Rent Account:	Yes
Escrow Account:[2]	-

Property Information			
Single Asset/Portfolio:	Single asset		
Property Type:	Office/Light Industrial		
Location:	Paris Region		
Year Built:	1994		
Occupancy:	100%		
Square Metreage:	80,620		
The Collateral:	Building located within a business park in Elancourt		

Major Tenants	**%SqM**	**%Rent**	**Rent**
Thales	100.0%	100.0%	ε 9,775,529

Passing Rent:	ε9,775,529
Appraised Value:	ε95,500,000
Valuer:	CB Richard Ellis
Cut-Off Date LTV:	84.7%
Maturity Date LTV:	54.5%
Cut-Off Date DSCR[3]:	116.7%

Instalments Schedule

Date of Instalment	Amount of Interest Instalment (ε)	Amount of Repayment Instalment (ε)
5th February, 2004	1,195,097	897,000
5th May, 2004	1,156,009	926,000
5th August, 2004	1,167,867	940,000
5th November, 2004	1,153,826	942,000
5th February, 2005	1,139,755	1,096,000
5th May, 2005	1,086,752	1,140,000
5th August, 2005	1,106,355	1,145,000
5th November, 2005	1,089,252	1,150,000
5th February, 2006	1,072,074	1,169,000
5th May, 2006	1,020,223	1,212,000
5th August, 2006	1,036,509	1,219,000
5th November, 2006	1,018,300	1,226,000
5th February, 2007	999,987	1,246,000
5th May, 2007	949,374	1,288,000
5th August, 2007	962,136	1,297,000
5th November, 2007	942,763	1,307,000
5th February, 2008	923,240	1,328,000
5th May, 2008	883,764	1,359,000
5th August, 2008	883,104	1,381,000
5th November, 2008	862,475	1,393,000
5th February, 2009	841,668	1,415,000
5th May, 2009	793,775	1,457,000
5th August, 2009	798,768	1,470,000
5th November, 2009	776,810	52,005,000

The Loan

The Originator financed the acquisition of the Property with a Loan in an initial amount of ε83.5 million. The Loan bears interest at a fixed rate of 5.845 per cent.

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1 Cut-Off Date ICR based on the next four quarters rents and interest due.

2 Escrow is due to cover shortfall in rent.

3 Cut-Off Date DSCR based on the next four quarters rents and interest/principal due.

The Cut-Off Date LTV is 84.7 per cent., based on an Origination Valuation of ε95.5 million or ε1,185 per square metre provided by CB Richard Ellis in October 2002. The Loan, which has a term of 7 years, amortises to ε52.0 million resulting in a 54.5 per cent. Maturity Date LTV.

The Property

Located in Elancourt (Paris region) and built on a 148,975 square metre land plot, the Property totals 80,620 lettable square metres, broken down, as follows: 50,000 square metres of office space (comprising 62.0 per cent. of all available space), 21,454 square metres of light industrial space (26.6 per cent.), 2,544 square metres of warehouses (3.2 per cent.) and an inter-company restaurant of 6,622 square metres (8.2 per cent.).

The Property was completed in 1994.

Tenure

Current annual total net Rental Income of ε9.8 million reflects an initial yield of 10.2 per cent. based on the Origination Valuation. The Property is wholly-let to Thales.

Key terms of the occupational lease with Thales are as follows:

– nine-year term (no break options) expiring on 31st December, 2010;

– Rental Income of ε9.8 million with all charges, insurance costs and taxes recoverable from tenant with limited exceptions;

– Annual indexation based on the Construction Cost Index (Avg. of 2+ per cent. p.a. over the last ten years); and

– Right to sub-let as long as lessee remains joint and several with the sub-lessees.

The Sponsor

Eurofund Properties is an open-ended real estate investment vehicle founded by London International Bank (formerly known as Credit Municipal Bank).

The Leonard de Vinci Group is the asset manager of the Property.

Lease Expiration Summary

The following table shows scheduled lease expirations for the property financed by the EFP Elancourt Loan:

Lease Rollover Schedule								
Year	# of Leases Rolling	Square Metres Rolling	% of Total Square Metreage	Cumulative % of SqM Rolling	Annualised Base Rental Revenue Rolling	Average Total Rental Revenue Per SqM Rolling	% of Total Base Rental Revenue Rolling	Cumulative % of Total Rental Revenues Rolling
Vacant	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-
2010	1	80,620	100.0%	100.0%	9,775,529	121.3	100.0%	100.0%
2011	-	-	-	100.0%	-	-	-	100.0%
2012	-	-	-	100.0%	-	-	-	100.0%
>=2013	-	-	-	100.0%	-	-	-	100.0%
Total	**1**	**80,620**	**100.0%**	**100.0%**	**9,775,529**	**121.3**	**100.0%**	**100.0%**

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the property financed by the EFP Elancourt Loan:

Largest Tenants Based on Annualised Rent								
Tenant	Credit Rating S&P/Moodys's/ Fitch	Tenant Square Metreage	% of Total Square Metreage	Annualised Rent	% of Total Annualised Rent	Current Annualised Rent per SqM	Lease Expiration	First Break Date
Thales	A-/A3/NR	80,620	100.0%	9,775,529	100.0%	121.3	Dec-10	-
Total/Weighted Average		**80,620**	**100.0%**	**9,775,529**	**100.0%**	**121.3**	**Dec-10**	**-**
Other Tenants		-	-	-	-	-	-	-
Vacant Space		-	-	-	-	-	-	-
Total/Weighted Average		**80,620**	**100.0%**	**9,775,529**	**100.0%**	**121.3**	**Dec-10**	**-**

CEREP Carillon Loan

Loan Information	
Original Balance:	ε67,575,000
Cut-Off Date Balance:	ε67,575,000
Next Payment Date:	31st January, 2004
Interest Rate:	4.585%
Amortisation:	Amortises down to an LTV of 72.5% at maturity, assuming no unscheduled prepayments occur
Cut-Off Date ICR[1] :	136.3%
Maturity Date:	31st July, 2007
Expected Maturity Balance:	ε59,121,000
Borrower:	CEREP Carillon SARL
Sponsor(s):	Carlyle Group
Interest Calculation:	Actual/360
Dividend Trap (ICR):	125%
Interest Cover Covenant:	110%
Pledged Rent Account:	Yes
Escrow Account:	-

Property Information			
Single Asset/Portfolio:	Single asset		
Property Type:	Office		
Location:	Paris Region		
Year Built:	1992		
Occupancy:	74%		
Square Metreage:	17,412		
The Collateral:	Office building in Nanterre		
Major Tenants	**%SqM**	**%Rent**	**Rent**
Compagnie Générale des Eaux (Veolia Environnement)	64.5%	96.7%	ε 4,390,045
SMI	3.7%	3.3%	ε 152,160
Passing Rent:			ε4,542,205
Appraised Value:			ε81,580,000
Valuer:			Insignia Bourdais
Cut-Off Date LTV:			82.8%
Maturity Date LTV:			72.5%
Cut-Off Date DSCR[2]:			112.5%

Instalments Schedule		
Date of Instalment	**Amount of Interest Instalment (ε)**	**Amount of Repayment Instalment (ε)**
31st January, 2004	791,791	200,000
30th April, 2004	772,286	226,000
31st July, 2004	786,800	228,000
31st October, 2004	784,128	571,000
31st January, 2005	777,438	650,000
30th April, 2005	744,719	675,000
31st July, 2005	761,912	674,000
31st October, 2005	754,015	714,000
31st January, 2006	745,649	725,000
30th April, 2006	713,116	749,000
31st July, 2006	728,378	750,000
31st October, 2006	719,590	750,000
31st January, 2007	710,802	759,000
30th April, 2007	679,020	783,000
31st July, 2007	692,734	59,121,000

The Loan

The Originator made the Loan in an amount of ε67.6 million in July 2003 at a fixed rate of interest of 4.585 per cent.

The Cut-Off Date LTV is 82.8 per cent., based on an Origination Valuation of ε81.6 million, provided by Insignia Bourdais in July 2003. The four-year Loan amortises to ε59.1 million, resulting in a Maturity Date LTV of 72.5 per cent.

The Loan benefits from a ε5.0 million first demand bank guarantee to be partially or fully utilised to partially repay the Loan in June 2004, should the 26 per cent. vacant space not be let at specific (pre-agreed) conditions.

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1 Cut-Off Date ICR based on the next four quarters net rents and interest due.

2 Cut-Off Date DSCR based on the next four quarters net rents and interests/principal due.

The Property

The Property, built in 1992 and totalling 17,412 square metres, is named Carillon and was developed above the Nanterre-Prefecture RER station.

Carillon is located in Nanterre which, together with La Défense, Puteaux and Courbevoie, comprises "La Défense", the largest business district in Europe with 2.9 million square metres of office space.

Carillon is an eight-storey office building totalling 17,412 square metres divided as follows: 14,502 square metres of office space, 1,951 square metres of archive space and 959 square metres of restaurant space. It also offers 260 car parking spaces. The Property has just been refurbished for a total cost of ε4.7 million (or ε270/sqm).

Insigna Bourdais valued the building at ε81.6 million.

Tenure

Current Property NOI of ε4.54 million.

CGE occupies 64.5 per cent. of the space under a 12-year firm occupational lease (no break option) expiring in May 2015, at an annual rent of ε4.39 million with all charges, insurance costs and taxes recoverable from the tenant except in respect of large-scale, structural repairs (*grosses réparations*) under Article 606 of the French *Code civil*.

Another 3.7 per cent. of the area is let to SMI under a standard nine-year occupational lease expiring in June 2008.

The Sponsor

The Sponsor is the Carlyle Group.

Lease Expiration Summary

The following table shows scheduled lease expirations for the Property financed by the CEREP Carillon Loan:

Lease Rollover Schedule								
Year	# of Leases Rolling	Square Metres Rolling	% of Total Square Metre Rolling	Cumulative % of SqM Rolling	Annualised Base Rental Revenue Rolling	Average Total Rental Revenue Per SqM Rolling	% of Total Base Rental Revenue Rolling	Cumulative % of Total Rental Revenues Rolling
Vacant/Other[1]	1	5,528	31.7%	31.7%	-	-	-	-
2003	-	-	-	31.7%	-	-	-	-
2004	1	647	3.7%	35.5%	152,160	235.2	3.3%	3.3%
2005	-	-	-	35.5%	-	-	-	3.3%
2006	-	-	-	35.5%	-	-	-	3.3%
2007	-	-	-	35.5%	-	-	-	3.3%
2008	-	-	-	35.5%	-	-	-	3.3%
2009	-	-	-	35.5%	-	-	-	3.3%
2010	-	-	-	35.5%	-	-	-	3.3%
2011	-	-	-	35.5%	-	-	-	3.3%
2012	-	-	-	35.5%	-	-	-	3.3%
>=2013	1	11,237	64.5%	100.0%	4,390,045	390.7	96.7%	100.0%
	3	**17,412**	**100.0%**	**100.0%**	**4,542,205**	**382.2**[2]	**100.0%**	**100.0%**

[1] Other includes a restaurant space.

[2] Current annualised rent per square metre is based on the total annualised rent and the total rented square metreage.

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the Property financed by the CEREP Carillon Loan:

Largest Tenants Based on Annualised Rental Income								
Year	Credit Rating S&P/Moody's/Fitch	Tenant Square Metreage	% of Total Square Metreage	Annualised Rent	% of Total Annualised Rent	Current Annualised Rent Per SqM	Lease Expiration	First Break Date
Compagnie Générale des Eaux	BBB+/Baal/NR[1]	11,237	64.5%	4,390,045	96.7%	390.7	May-15	-
SMI	NR/NR/NR	647	3.7%	152,160	3.3%	235.2	Jun-08	Jun-05
Total/Weighted Average		**11,884**	**68.3%**	**4,542,205**	**100.0%**	**382.2**	**Feb-15**	**Jun-05**
Other[1]		959	5.5%	-	-	-	-	-
Vacant Space		4,569	26.2%	-	-	-	-	-
Total/Weighted Average		**17,412**	**100.0%**	**4,542,205**	**100.0%**	**382.2**[2]	**Feb-15**	**Jun-05**

[1] Veolia Environnement (CGE's parent company) rating.

The Irish Issuer Assets

The Irish Loans (combined)

Loan Information	
Original Balance:	ε56,503,344
Cut-Off Date Balance:	ε55,081,237
Next Payment Date:	16th January, 2004
Interest Rate:	6.32%
Amortisation:	Amortises down to an LTV of 68.8% at maturity, assuming no unscheduled prepayments occur
Cut-Off Date ICR[1]:	124.8%
Maturity Date:	16th October, 2008
Expected Maturity Balance:	ε50,218,141
Borrower:	Peter, Michael and Joseph Cosgrave
Sponsor(s):	Peter, Michael and Joseph Cosgrave
Interest Calculation:	Actual/360
Dividend Trap (ICR):	120%
Interest Cover Covenant:	110%
Charged Rent Account:	Yes
Escrow Account:	-

Property Information			
Single Asset/Portfolio:	Single asset		
Property Type:	Office		
Location:	Dublin		
Year Built:	2001		
Occupancy:	100%		
Square Metreage:	8,912		
The Collateral:	Office block in Dublin		
Major Tenants	**%SqM**	**%Rent**	**Rent**
Invesco Prop. Ltd/ Invesco Asset Mngmt Ireland Ltd	43.1%	43.1%	ε 1,894,764
Monko Properties/Banque Internationale à Luxembourg	21.7%	21.7%	ε 954,518
GAM Fund Mngmt Ltd	18.3%	18.2%	ε 798,907
Northern Trust Property Service (Ireland Limited)	16.9%	17.0%	ε 746,362
Passing Rent:			ε4,394,551
Appraised Value:			ε73,009,939
Valuer:			Jones Lang LaSalle
Cut-Off Date LTV:			75.4%
Maturity Date LTV:			68.8%
Cut-Off Date DSCR[2]:			102.0%

Instalments Schedule		
Date of Instalment	**Amount of Interest Instalment (ε)**	**Amount of Repayment Instalment (ε)**
16th January, 2004	886,752	203,158
16th April, 2004	873,868	203,158
16th July, 2004	870,622	203,158
16th October, 2004	876,908	203,158
16th January, 2005	873,627	228,553
16th April, 2005	851,024	228,553
16th July, 2005	856,829	228,553
16th October, 2005	862,553	228,553
16th January, 2006	858,862	228,553
16th April, 2006	836,580	253,948
16th July, 2006	841,818	253,948
16th October, 2006	846,967	253,948
16th January, 2007	842,866	253,948
16th April, 2007	820,530	285,691
16th July, 2007	825,083	285,691
16th October, 2007	829,536	285,691
16th January, 2008	824,921	285,691
16th April, 2008	811,391	285,691
16th July, 2008	806,827	285,691
16th October, 2008	811,079	50,218,141

The Loans

The Loans were made by the Originator to refinance existing indebtedness in respect of Blocks E & F, George's Quay in Dublin.

The Loan amount of ε55.1 million (75.4 per cent. Cut-Off-Date LTV based on an Origination Valuation ε73.0 million) amortises to ε50.2 million (68.8 per cent. Maturity Date LTV) by October 2008.

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1 Cut-Off Date ICR based on the next four quarters net rents and interest due.

2 Cut-Off Date DSCR based on the next four quarters net rents and interest/principal due.

The Property

The George's Quay development is situated approximately 0.6km east of Dublin city centre.

The Property is a five storey office block comprising approximately 8,912 square metres located a few hundred metres from the International Financial Services Centre (IFSC).

The Origination Valuation of the Property, as provided, by Jones Lang LaSalle in October 2001 was ε73.0 million.

The Property is held on long leasehold by way of a superior lease from Irish Life Assurance Plc.

Tenure

Blocks E & F, George's Quay are let to four tenants under five separate occupational leases, generating an annual Rental Income of ε4.4 million.

The tenants of the Property are GAM Fund Management (owned by UBS AG), Invesco, Banque Internationale à Luxembourg and Northern Trust.

The occupational leases expire in April and May 2026 with break options in April and May 2016 with 12 months' notice and 12 months' rental penalty.

The Borrowers

The Borrowers are Peter, Michael and Joseph Cosgrave. The Borrowers are jointly and severally liable for the Irish Loans.

Lease Expiration Summary

The following table shows scheduled lease expirations for the Property financed by the Irish Loans:

Lease Rollover Schedule								
Year	# of Leases Rolling	Square Metres Rolling	% of Total Square Metre Rolling	Cumulative % of SqM Rolling	Annualised Base Rental Revenue Rolling	Average Total Rental Revenue Per SqM Rolling	% of Total Base Rental Revenue Rolling	Cumulative % of Total Rental Revenues Rolling
Vacant	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	-	-	-	-	-	-	-	-
2010	-	-	-	-	-	-	-	-
2011	-	-	-	-	-	-	-	-
2012	-	-	-	-	-	-	-	-
>=2013	4	8,912	100.0%	100.0%	4,394,551	493.1	100.0%	100.0%
Total	**4**	**8,912**	**100.0%**	**100.0%**	**4,394,551**	**493.1**	**100.0%**	**100.0%**

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the Property financed by the Irish Loans:

Largest Tenants Based on Annualised Rent								
Tenant	Credit Rating S&P/Moody's/	Tenant Square	% of Total Square	Annualised	% of Total Annualised	Current Annualised	Lease	First Break

	Fitch	Metreage	Metreage	Rent	Rent	Rent Per SqM	Expiration	Date
Invesco Prop. Ltd/ Invesco Asset Management Ireland Ltd	A-/A2/A[1]	3,838	43.1%	1,894,764	43.1%	493.6	May-26	May-16
Monko Properties Banque Internationale á Luxembourg	NR/NR/NR	1,935	21.7%	954,518	21.7%	493.4	Apr-26	Apr-16
GAM Fund Management Ltd	AA+/Aa2/AA+[2]	1,630	18.3%	798,907	18.2%	490.3	Apr-26	Apr-16
Northern Trust Property Service (Ireland) Limited	NR/NR/NR	1,509	16.9%	746,362	17.0%	494.6	May-26	May-16
Total/Weighted Average		**8,912**	**100.0%**	**4,394,551**	**100.0%**	**493.1**	**Apr-26**	**Apr-16**
Other Tenants		-	-	-	-	-	-	-
Vacant Space	-	-	-	-	-	-	-	-
Total/Weighted Average		**8,912**	**100.0%`**	**4,394,551**	**100.0%**	**493.1**	**Apr-26**	**Apr-16**

1 Amvescap (Invesco's parent company) rating.

2 UBS AG (GAM's parent company) rating.

The Belgian Bonds

Loan Information	
Original Balance:	ε60,000,000
Cut-Off Date Balance:	ε59,400,000
Next Payment Date:	5th February, 2004
Interest Rate:	5.32%
Amortisation:	Amortises down to an LTV of 73.2% at maturity, assuming no unscheduled prepayments occur
Cut-Off Date ICR[1] :	176.5%
Maturity Date:	5th November, 2006
Expected Maturity Balance:	ε54,319,000
Borrower:	Fortress Finance SARL
Sponsor(s):	Newcastle Investment Corporation
Interest Calculation:	Actual/360
Dividend Trap (ICR):	125%
Interest Cover Covenant:	110%
Charged Rent Account:	Yes
Escrow Account:	-

Property Information			
Single Asset/Portfolio:	Portfolio of 8 assets		
Property Type:	Office/Warehouse		
Location:	Belgium		
Year Built:	N/A		
Occupancy:	82%		
Square Metreage:	42,009		
The Collateral:	8 properties including 4 in Brussels CBD		
Major Tenants	**%SqM**	**%Rent**	**Rent**
Commission des Communautés Européennes	26.5%	52.3%	ε3,057,945
MasterCard Europe Sprl	9.3%	9.2%	ε 537,300
Lucent Technology	5.1%	5.2%	ε 302,156
Noortman Belgium	12.3%	4.6%	ε 269,204
Régie des Batiments	3.3%	3.9%	ε 225,243
Passing Rent:			ε5,845,332
Appraised Value:			ε74,247,000
Valuer:			Catella Codemer
Cut-Off Date LTV:			80.0%
Maturity Date LTV:			73.2%
Cut-Off Date DSCR[2]:			116.1%

Instalments Schedule		
Date of Instalment	**Amount of Interest Instalment (ε)**	**Amount of Repayment Instalment (ε)**
5th February, 2004	804,857	486,000
5th May, 2004	780,896	483,000
5th August, 2004	791,683	488,000
5th November, 2004	785,048	451,000
5th February, 2005	778,917	402,000
5th May, 2005	748,230	410,000
5th August, 2005	767,877	415,000
5th November, 2005	762,235	366,000
5th February, 2006	757,259	415,000
5th May, 2006	727,107	461,000
5th August, 2006	745,349	504,000
5th November, 2006	738,497	54,319,000

The Belgian Bonds

The Originator provided a 4-year ε60.0 million refinancing of a portfolio consisting of eight properties, in Brussels and its vicinity, at a fixed rate of 5.32 per cent. by subscribing for the Belgian Bonds.

The Cut-Off Date LTV is 80.0 per cent. (based on an Origination Valuation of ε74.2 million established by Catella Codemer in September 2002). The Belgian Bonds amortise to ε54.3 million resulting in a Maturity Date LTV of 73.2 per cent.

The Properties

The collateral for the Loans consists of eight Properties totalling 42,009 square metres, of which four are located in Brussels' city centre, three in Zaventem, Groot-Bijgaarden and Sint-Stevens-Woluwe (three business parks in the Flemish region around Brussels), and one in Waterloo.

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1 Cut-Off Date ICR based on the next four quarters net rents and interest due.

2 Cut-Off Date DSCR based on the next four quarters net rents and interest/principal due.

The primary use of the Properties by area is as follows: office (84.7 per cent.), warehouse (12.4 per cent.), storage (1.9 per cent.) and retail (1.0 per cent.).

The largest Property, located in Brussels' CBD, is fully let to the European Commission and accounts for 46 per cent. of the total value of the Properties in aggregate. The three largest Properties make up 71.5 per cent. of the value of the Properties in aggregate.

Catella Codemer valued the portfolio at ε74.2 million in September 2002.

Tenure

The Properties are currently 82 per cent. occupied with 29 tenants, generating triple net annual Rental Income of approximately ε5.8 million, which reflects a yield of 7.9 per cent.. The five largest tenants represents 75 per cent. of total Rental Income.

The average lease term is 10.7 years based on lease maturity.

Four of the Properties are partially vacant. These are the Beta Invest Louvain building, with a vacancy rate of 35.1 per cent.; the Polytrophys building, with a vacancy rate of 33.8 per cent.; the Trealen building with a vacancy rate of 71.3 per cent.; and the Alfa Invest building, with a vacancy rate of 33.3 per cent., such vacancy rates being based on the floor areas of the relevant Properties. The Origination Valuations of each of these Properties is set out in the CD-ROM.

Over 37 per cent. (by rental value) of the leases granted in respect of the Belgian Properties either terminate before the redemption date of the Belgian Bonds or contain break provisions that would allow the tenants to terminate their leases before the redemption date of the Belgian Bonds.

The Sponsor

Newcastle Investment Corp. is a private U.S. real estate investment trust (REIT), which invests in real estate properties, securities and other real estate assets and is managed by Fortress Investment Group LLC, which is a private equity and asset management firm, which invest primarily in real estate assets and companies on an international basis.

Lease Expiration Summary

The following table shows scheduled lease expirations for the properties financed by the Belgian Bonds:

Lease Rollover Schedule								
Year	# of Leases Rolling	Square Metres Rolling	% of Total Square Metres Rolling	Cumulative % of Metre Rolling	Annualised Base Rental Revenue Rolling	Average Total Rental Revenue Per SqM Rolling	% of Total Base Rental Revenue Rolling	Cumulative % of Total Rental Revenues Rolling
Vacant	4	7,562	18.0%	18.0%	-	-	-	-
2003	-	-	-	18.0%	-	-	-	-
2004	1	342	0.8%	18.8%	58,408	170.8	1.0%	1.0%
2005	2	346	0.8%	19.6%	41,522	120.0	0.7%	1.7%
2006	1	265	0.6%	20.3%	28,805	108.7	0.5%	2.2%
2007	4	16,789	40.0%	60.2%	3,865,607	230.2	66.1%	68.3%
2008	6	3,888	9.3%	69.5%	517,348	133.1	8.9%	77.2%
2009	8	7,272	17.3%	86.8%	551,655	75.9	9.4%	86.6%
2010	3	1,926	4.6%	91.4%	289,231	150.2	4.9%	91.6%
2011	4	3,619	8.6%	100.0%	492,755	136.2	8.4%	100.0%
2012	-	-	-	100.0%	-	-	-	100.0%
>=2013	-	-	-	100.0%	-	-	-	100.0%
Total	**33**	**42,009**	**100.0%**	**100.0%**	**5,845,332**	**169.7**[1]	**100.0%**	**100.0%**

[1] Current annualised rent per square metre is based on the total annualised rent and the total rented square metreage.

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the property financed by the Belgian Bonds:

Largest Tenants Based on Annualised Rent								
Tenant	Credit Rating S&P/Moody's/Fitch	Tenant Square Metreage	% of Total Square Metreage	Annualised Rent	% of Total Annualised Rent	Current Annualised Rent PSqM	Lease Expiration	First Break Date
Commission des Communautés Européennes	NR/Aaa/NR[1]	11,128	26.5%	3,057,945	52.3%	274.8	Sep 07	-
MasterCard Europe sprl	A-/ NR/NR	3,909	9.3%	537,300	9.2%	137.5	Dec 07	-
Lucent Technology	B-/Caa1/CCC+	2,123	5.1%	302,156	5.2%	142.3	Apr 11	Apr 05
Noortman Belgium	NR/NR/NR	5,166	12.3%	269,204	4.6%	52.1	Jun 09	Jun 06
Régie des Batiments	AAA/NR/NR[2]	1,368	3.3%	225,243	3.9%	164.7	Mar 10	Mar 04
United Biscuits Belgium	NR/NR/NR	1,027	2.4%	172,486	3.0%	168.0	Feb 08	Feb 05
Intercosmetic-Wella	A-/NR/NR	1,136	2.7%	167,293	2.9%	147.3	Dec 07	Dec 04
Ifaros	NR/NR/NR	1,412	3.4%	146,844	2.5%	104.0	Jun 08	May 06
Integri	NR/NR/NR	616	1.5%	103,069	1.8%	167.3	Mar 07	May 05
FORATOM	NR/NR/NR	775	1.8%	102,891	1.8%	132.8	May 08	May 05
Total/Weighted Average		**28,660**	**68.2%**	**5,084,433**	**87.0%**	**177.4**	**Mar 08**	**Feb 07**
Other Tenants		5,787	13.8%	760,899	13.0%	131.5	Apr 09	Dec 05
Vacant Space		7,562	18.0%	-	-	-	-	-
Total/Weighted Average		**42,009**	**100.0%**	**5,845,332**	**100.0%**	**169.7[3]**	**May 08**	**Dec 06**

[1] European Union's rating.

[2] Régie des Batiments is a Belgian state entity.

[3] Current annualised rent per square metre is based on the total annualised rent and the total rented square metreage.

CERTAIN MATTERS OF FRENCH LAW

This section summarises certain aspects of French law and practice in force at the date hereof relating to the transactions described in this Offering Circular. It does not purport to be a complete analysis and should not, therefore, be treated as a substitute for comprehensive professional, legal and tax advice on the relevant matters.

The French Securitisation Law

A *fonds commun de créances* ("**FCC**") is governed by Article L. 214-43 *et seq*. of the French *Code monétaire et financier*. This law was implemented to facilitate the use of securitisation as a financing technique in France.

A FCC is a mutual debt fund with no separate legal personality, whose sole purpose is the acquisition of receivables and the issue of units representative of these. The FCC must be constituted jointly by its *société de gestion* (management company) and *dépositaire* (custodian) acting during the life of the FCC, respectively, as manager of its business and custodian of its assets.

The legal provisions relating to *indivision* (joint ownership) and articles 1871 to 1873 of the French *Code civil* do not apply to the FCC.

FCC units are treated as *valeurs mobilières* (transferable securities). All *valeurs mobilières* issued in France are dematerialised and accordingly take the form not of paper securities but of book entries in securities accounts. FCC units can either be *au porteur* (bearer) or *nominatives* (registered). In the former case, the units are evidenced through entries in securities accounts kept with a bank. In the latter case, the securities accounts will be maintained directly by the French Issuer Custodian. Like all *valeurs immobilières*, FCC units are freely negotiable.

In accordance with Article L. 214-44 of the French *Code monétaire et financier*, the units issued by the FCC may not be offered by means of solicited brokerage (*démarcharge*).

In accordance with Article L. 214-43 of the French *Code monétaire et financier*, the unitholders may not require the FCC to repurchase the units.

An FCC is not subject to insolvency risk and therefore grants no security over the receivables which it owns.

Assignment of receivables

The assignment of receivables to a FCC takes place by means of a transfer document (*acte de cession de créances*) in accordance with Article L. 214-43 of the French *Code monétaire et financier*. The transfer document must fulfil certain mandatory formal requirements, including being entitled "*acte de cession de créances*" (deed of assignment of receivables), make reference to the French *Code monétaire et financier* on its face, identify the assignee (i.e. the FCC) and include certain details relating to the transfer (including, but not limited to, the name of the debtor, the place of payment, the amount of the receivables or an estimate of the amount and, where appropriate, the date of maturity).

Pursuant to Article L. 214-43 of the French *Code monétaire et financier*, the assignment of receivables shall be valid between the parties and enforceable against third parties as of the date of the transfer document. This method of assignment has the effect of transferring by law to the assignee all the ancillary rights attached to the receivables being assigned, including security interests granted to the assignor to secure payment of such receivables, without any further formalities being required.

Pursuant to Article L. 214-48-I of the French *Code monétaire et financier*, only the management company of an FCC may enforce the rights of the unitholders against third parties. Accordingly, the unitholders have no recourse whatsoever against the underlying debtor of the relevant purchased receivables.

Security Over Property

Lender's Privilege (*Privilège du prêteur de Deniers*) and Mortgage (*Hypothèque*)

A lender's privilege (*privilege de prêteur de deniers*) is conferred on a creditor who lends a sum of money for the financing of the purchase of real property in accordance with articles 2095 and 2103-2° of the French *Code civil*. A mortgage (*hypothèque*) is a right to real property granted to a creditor, known as a mortgagee

(*créancier hypothécaire*), by a debtor, known as the mortgagor (*débiteur*), relating to real property which the latter owns or in which it has a right *in rem,* in order to secure payment of a debt owed by the mortgagor to the mortgagee. A lender's privilege and a mortgage have similar legal effects. However, unlike a mortgage, the lender's privilege is also subject to the specific rules of article 2103-2° of the French *Code civil*. In the context of a refinancing of a loan, a lender's privilege granted in favour of the lender whose loan is being refinanced is transferred to the new lender by way of subrogation.

The beneficiary of a lender's privilege or a mortgage will rank ahead of all unsecured creditors (*créanciers chirographaires*) of the grantor of the security. Secured amounts comprise the principal amount of the loan in question as well as its related rights. It should be noted, however, that only three years of interest at the contractual rate can be secured by a lender's privilege or a mortgage.

Peculiarities of Lender's Privilege

In order for a lender's privilege to be validly created, the following two conditions must be satisfied:

(a) the loan must be granted for the purchase of real property and the deed evidencing the loan (*acte d'emprunt*) must expressly stipulate the purpose for which the loan was intended; and

(b) the discharge receipt (*quittance*) given by the vendor of the relevant real property must certify that the payment was made out of the moneys borrowed.

Both the deed evidencing the loan and the discharge receipt must be in a notarised form (*acte authentique*).

Registration of Lender's Privilege and Mortgage

In order to be enforceable against third parties, pursuant to the provisions of article 2106 of the French *Code civil*, lender's privileges and mortgages must be registered at the French Land and Charges Registry (*Conservation des Hypothèques*).

A lender's privilege is retrospectively perfected from the date of the deed of conveyance of the relevant real property if the registration of the privilege occurs within a period of two months after the signing of the deed of conveyance (under article 2108 of the French *Code civil*). If this deed fails to be registered within this two-month period, rules applicable to mortgages will apply to the lender's privilege. Mortgages are perfected from their date of registration with the French Land and Charges Registry.

The registration of a lender's privilege or of a mortgage in France is only valid for a limited period of time. As a general rule, a lender's privilege or a mortgage is valid until the date of validity specified in the registration (under article 2154 of the French *Code civil*). Where the registration of the lender's privilege or the mortgage occurs on one or several fixed dates, the last date for registration occurring prior to the due date of the debt secured by the lender's privilege or the mortgage may run for more than two years beyond such due date, but may not exceed thirty-five years. Where the due date of the debt secured by the lender's privilege or the mortgage is not expressly fixed, or is antecedent to or concomitant with the registration, the validity of the registering of the lender's privilege or of the mortgage is limited to ten years.

The registration of a lender's privilege or of a mortgage ceases to be effective if it is not renewed on or before the last day of its current period of effectiveness.

The formalities for the registration of a lender's privilege or of a mortgage are set out in articles 2146 and 2148 of the French *Code civil*. The lender's privilege and the mortgage should be registered at the French Land and Charges Registry situated in the same geographical district as the relevant real property is situate.

Foreclosing on Secured Real Property without Insolvency Proceedings

The French legal procedures to be followed in relation to the enforcement of security interests over real property situated in France and the related expenses may affect the French Issuer's ability to liquidate the French Properties efficiently and in a timely fashion. An outline of these procedures is set out below.

Foreclosure on property situated in France by secured creditors may, first, require the sale of the property at a public auction (*vente aux enchères*). The foreclosure procedure may take up to one year in normal circumstances.

The first step in the foreclosure procedure consists of delivering a foreclosure notice to the debtor by *huissier* (a process server). This notice should be filed at the French Land and Charges Registry having

jurisdiction over the district in which the relevant real property is situated. The next step is to instruct a local lawyer (*avocat*) to prepare the terms of the sale of the property at auction, including the reserve price of the relevant real property. Finally, a number of legal notices are required to be given prior to the sale including publishing notice of the sale and notifying other secured creditors of the terms of sale.

If no bid is made at the public auction, and provided there is only one foreclosing creditor, such foreclosing creditor is declared the highest bidder and is thus obliged to purchase the property at the reserve price specified in the terms of the sale.

The second possible action of the secured creditor may be exercised in the event of the sale of the property by the debtor. In such event, the secured creditor may have the debts owing to him satisfied from the proceeds of the sale of the property in the order of priority of the privileges and mortgages encumbering such property (*droits de préférence*), in accordance with article 2166 of the French *Code civil*.

The final secured creditor's enforcement action consists of the possibility to continue to benefit from the lender's privilege or mortgage, even if the property is transferred by the debtor to a third party. This right is known as *droit de suite*. The secured creditor can have the property attached and can exercise its *droit de préférence* on the proceeds of the sale by the debtor to the third party. If the secured creditor wishes to exercise this right, it must cause an order to pay to be served on the debtor by a bailiff and, in addition, cause a notice either to pay the debt secured by the lender's privilege or mortgage granted over the property or to surrender such property to the secured creditor to be served on the third party to whom the property subject to the lender's privilege or mortgage was transferred.

Other Security

Pledges of Shares (*nantissement de parts*)

Pledges of shares (*nantissements de parts*) have been granted by each of the French Borrower's Shareholders and the Parent Companies in order to secure the French Loans.

As the pledges are not granted by the French Borrowers, the security granted will constitute, under French law, a *cautionnement réel* which, according to article 2011 of the French *Code civil*, constitutes an agreement by which a party (the guarantor) guarantees to a third party (the beneficiary), the payment of the debt of another party (the guaranteed party) that the latter owes to such third party under an underlying agreement.

The amount of each of the French Borrower Shareholders' or Parent Companies' *cautionnement réel* is limited to the value of the pledged shares.

Shares issued by a *Société en Nom Collectif* (SNC) may be pledged in accordance with articles L.521-l of the French *Code de commerce* and articles 2071 and *seq*. of the French *Code civil*. Shares issued by a *Société à Responsabilité Limitée* (SARL) may be pledged in accordance with articles L.521-l of the French *Code de commerce* and articles 2071 *et seq*. of the French *Code civil*.

The pledge must be created by a written agreement, registered with the tax authorities (*Recette des Impôts*) and notified by *huissier* to the issuer of the relevant shares, or accepted by it in a notarial deed. The pledge agreement must also be filed with the relevant clerk of the commercial court (*Registre du Commerce et des Sociétés*).

The pledge can be enforced either by way of sale at public auction (article L. 521-3 of the French *Code de commerce*), or by obtaining a court order for the assignment of the pledged shares to the pledgee after due valuation by a court-appointed expert (article 2078 of the French *Code civil*).

The enforcement of the pledge of shares requires (a) the approval (*agrément*) of the shareholders to the assignee of the shares becoming the new shareholder in the borrower, and (b) the filing of a request before the competent court in order either (i) to obtain the judicial allocation (*attribution judiciaire*) of the ownership of the pledged shares or (ii) to proceed with the compulsory sale by way of public auction (*vente aux enchères publiques*) of the pledged shares.

Pledge of Financial Instruments Accounts (*nantissement de comptes d'instruments financiers*)

Shares issued by a *Société par Actions Simplifiée* (SAS) and units issued by a *fonds commun de créances* may be pledged in accordance with article L. 431-4 of the French *Code Monétaire et Financier*.

Pledges of financial instruments accounts (*nantissements de comptes d'instruments financiers*), where the shares issued by the French Borrowers or the French Borrower Shareholders are registered, as the case may be, have been granted by certain of the French Borrower Shareholders and the Parent Companies in order to secure the French Loans.

As the pledges are not granted by the French Borrowers, the security granted will constitute, under French law, a *cautionnement réel*.

The amount of the French Borrower Shareholders' or Parent Companies *cautionnement réel* is limited to the value of the pledged shares. The scope of these pledges includes shares which come in substitution or in addition to the pledged shares by way of, for example, exchange, division, free allocation, subscription in cash or otherwise.

Each pledge over the financial instruments accounts in favour of the Originator or, after the Closing Date, the French Issuer is a first ranking pledge granted in accordance with article L. 431-4 of the French *Code Monétaire et Financier*. A *Déclaration de gage* is signed and delivered by the pledgor to the pledgee and an *attestation de gage* certifying the pledge over the financial instruments account and identifying the securities and the sums held on the financial instruments account is delivered by the account holder to the beneficiary.

The pledge gives the pledgee the right to enforce the pledge by giving the pledgee the right to realise the securities and the sums held on the financial instruments account.

A pledge of financial instruments accounts of the French Units issued by the French Issuer will be granted by the Issuer for the benefit of the Issuer Secured Parties represented by the Issuer Security Trustee.

Pledge over Bank Account (*nantissement de compte*)

A pledge over a bank account (*nantissement de compte*) is a pledge over intangible assets (consisting of the claim which the pledgor has against the bank which holds the account in the name of the pledgor) which, under French law, does not confer a right of retention in favour of the pledgee. In practice, under a pledge over a bank account, the pledged account is opened in the name of the pledgor and the pledgor retains title to the amounts standing to the credit of the pledged bank account.

A pledge over a bank account may be granted in accordance with articles L. 521-1 of the French *Code de commerce* and articles 2071 *et seq*. of the French *Code civil*.

So as to ensure the validity and the perfection of the security interest granted, the pledge agreement needs to be registered with the tax authorities (*Recette des Impôts*) and notified by *huissier* to the bank in the books of which the pledged account is opened (even if such bank is also the beneficiary of the pledge).

In practice, according to the enforcement regime applicable to pledges over bank accounts, the enforcement of a pledge over a bank account should be made by requesting the competent court to allow appropriation of the assets subject to the pledge (*attribution judiciaire*) and the application of the proceeds in satisfaction of the secured debt (article 2078 *et seq*. of the French *Code civil*).

Cash Deposit (*gage-espèces*)

Several cash deposits (*gage-espèces* or *remise d'espèces à titre de garantie*) have been granted by the French Borrowers to secure the French Loans. The French Issuer will have the benefit of this security.

Under French law, the cash deposit is a security pursuant to which the cash is remitted to the pledgee, or to a bank account opened in the name of the pledgee and, by reason of its fungible nature, title thereto is transferred to the pledgee by way of security.

If the amounts concerned (whether in cash, by cheque or bank transfer) are directly remitted to the pledgee, as title to such amounts is transferred to the pledgee by way of security, the pledgee may use such amounts on a discretionary basis. When the pledgor has discharged its obligations, it has a claim for restitution of such amounts against the pledgee (*créance de restitution*).

Under French law, a cash deposit does not fall within the scope of a specific legal regime and no specific formalities in respect of perfection are required; the perfection of this security interest results from the cash being handed over to the pledgee.

Enforcement of the cash deposit does not require any specific formalities as the pledgee has the right to set-off the pledgor's claim to such amounts against the obligation secured by such cash deposit, without it being necessary for any other formalities (which is an exception under French law from the prohibition against any secured creditor acquiring the ownership of assets subject to a pledge without having recourse to courts (prohibition of the *pacte commissoire*)). This set-off is also effective in the event of insolvency proceedings being commenced against the pledgor.

Delegation Assignment (*délégation*)

An assignment (*délégation*) has been granted, as security for the French Loans, by each French Borrower over rental proceeds and over insurance proceeds.

Under French law, a *délégation* is a tripartite agreement under which a person "A" (the *délégant*), which is owed amounts by another person "B", requires B (the *délégué*) to pay those amounts to a third person "C" (the *délégataire*) in satisfaction of a debt owed by A to C. As a tripartite agreement, the *délégation* must be agreed to by the three parties, including B (the *délégué*).

A *délégation* can either be *parfaite* and take effect as a novation (in which case B is no longer bound to pay A at all, but only C) or *imparfaite* (in which case B continues to be bound to pay A as well as C, and B's debt to A is discharged to the extent that B pays C).

The lessees of a French Property or the insurance companies who have insured the French Properties would pay the Originator or, after the Closing Date, the French Issuer the rents or the insurance proceeds, respectively, only upon receipt of a notification by the French Issuer of the *délégation*.

Dailly Law Assignment (*cession Dailly*)

Dailly Law assignments (*cession de créances professionnelles à titre de garantie*) have been granted, as security for the French Loans, by certain French Borrowers over rental proceeds and over insurance proceeds.

A Dailly Law assignment takes effect from the date the relevant loan agreement is signed until acceptance of such assignment by the debtor(s) (in the case of the French Loans, the lessees and the insurance companies), at which time the assignment becomes a *délegation imparfaite*.

A Dailly Law assignment is governed by articles L. 313-23 to L. 313-34 of the French *Code monétaire et financier* and provides a simplified means to assign receivables through remittance to the assignee of a transfer form (*bordereau*) signed by the assignor, describing the amount and type of receivables to be assigned. The assignment of receivables comes into effect between the parties (i.e. the assignor and the assignee) and is binding on third parties as from the date specified on the *bordereau*. Furthermore, failing any agreement to the contrary, the remittance of the *bordereau* by the assignor to the assignee results, by operation of law, in the assignment to the assignee of the security interests attached to the assigned receivables.

A Dailly Law assignment may only be granted to a credit institution. However, there is no restriction on the ability of a credit institution (such as the Originator) subsequently assigning its rights under a Dailly Law assignment to a person (such as the French Issuer) which is not a credit institution.

Fiduciary Assignment of Assets (*cession de créances à titre de garanite*)

A fiduciary assignment (*cession de créances à titre de garantie*) has been granted by a French Borrower's Shareholder, as security for one of the French Loans. French Law does not specify any particular requirements for a fiduciary assignment.

Under French law, the assignment of receivables comes into effect between the parties as soon as they agree on the amount and the type of receivables to be transferred, but is binding on the debtor of the assigned receivables as of the date it has been notified by *huissier* to such debtor.

French case law has recently recognised the validity of a fiduciary assignment of future and conditional assets, subject to their sufficient identification. However, the validity of a fiduciary assignment of assets is still a topic of debate and there is no case law expressly recognizing this type of assignment.

Guarantee (*Cautionnement*)

Certain French Borrowers Shareholders have entered into guarantees in favour of the Originator in respect of the obligations of the applicable French Borrower under or in connection with a French Loan Agreement (*cautionnement personnel et solidaire*).

A *cautionnement* is an undertaking by a person (the guarantor) to pay a third party's debt if the debtor fails to do so. A *cautionnement* is said to be *réel* when the beneficiary's claim under the guarantee is limited to a specified asset of the guarantor only, without recourse to the guarantor itself. In the case of a joint and several guarantee (which, in practice, is the most frequent type of guarantee), the beneficiary may choose whether to pursue its claim against either or both of the guarantor and the debtor. The guarantor is entitled, in defending any claim against it under the guarantee, to rely on all defences available to the principal debtor (such as set-off and invalidity of the debt), excluding those defences that are purely personal to the debtor.

A demand for payment may be made under the guarantee by simple letter, although it is desirable to give notice by registered mail with acknowledgement of receipt requested, or to serve such notice by *huissier*. If the demand is not met. the beneficiary may bring legal proceedings against the guarantor. The beneficiary must inform the guarantor, annually, of the amount outstanding under the guaranteed debt.

First Demand Guarantee (*garantie à première demande*)

A *garantie à première demande* is an undertaking by a person (the guarantor) to pay a third party. It is an independent undertaking and therefore, the guarantor is not entitled to rely on any defences available to the principal debtor as a defence against demand for payment under his independent undertaking.

The guarantor would have to pay the beneficiary's claim upon receipt of a demand duly made in accordance with the terms of the undertaking. A demand for payment has to be made while the guarantee is still in force and may be made by simple letter, although it is desirable to give notice by registered mail with acknowledgement of receipt requested.

Types of Bodies Corporate

A *Société en Nom Collectif* (**SNC**) is a closed company with at least two members (bodies corporate or individuals) and subject to unlimited liability. It has no minimum capital requirement and very few restrictions on its organisation. An SNC may not issue securities nor publicly place its debt or equity. Interests in an SNC are referred to as "*parts sociales*".

The members of an SNC are indefinitely and jointly and severally liable for all debts of the SNC, including, debts arising before they became members. By operation of law, the insolvency of the SNC automatically triggers the insolvency of its members.

An SNC is managed by a *gérant* (general manager). The *gérant* may be an individual or an entity (in the latter case, the legal representatives of that entity will incur the same liability as if they were themselves *gérants*) and need not be a member. The *gérant* is appointed by the members in general meeting and may be removed at any time by a simple majority resolution (or a greater majority as provided by the by-laws of the SNC) of the members (save that if all members are *gérants*, or if the *gérant* is a member designated as *gérant* by the by-laws, a unanimous resolution of the other members is required; and if the *gérant* is a member but was not designated a *gérant* in the by-laws, a unanimous resolution of the other members is required unless otherwise provided in the by-laws). A *gérant* removed without proper cause may have a claim for damages. As regards third parties, the *gérant* enjoys the widest powers to bind the company, but only insofar as he acts within the scope of the company's objects.

Ultimate authority within an SNC lies with the members in general meeting. Resolutions must be passed unanimously, unless the by-laws provide otherwise.

A *Société par Actions Simplifiées* (SAS) may have a single shareholder if its articles of association so provide. The liability of the shareholder(s) of an SAS, each being referred to as "*associé*", is limited to the amount of its (their) equity participation. The minimum share capital of a SAS is ε37,000 and the equity interests of a SAS, which may not issue securities, are referred to as "*actions*".

Each SAS is managed by one *président*, who may be an individual or a legal entity, as specified in the articles of associations of such SAS. The articles of association also determine the corporate decisions which have to be taken by the *associés* as well as the conditions under which the *président* is appointed and removed.

The articles of association of an SAS may provide for the conditions according to which the *associés* may be or are prevented from assigning the shares they hold in such SAS.

In accordance with Article L. 227-6 of the French *Code de commerce*, as regards third parties, the *président* has the power to bind an SAS, even if the *président's* acts exceed the company's purpose, unless such SAS proves that the third parties knew that such acts exceeded the company's purpose or, due to circumstances, could not be unaware that such acts exceeded the company's purpose, it being understood that the mere publication of the articles of association of an SAS is not sufficient proof. Pursuant to paragraph 3 of Article L. 227-6 of the French *Code de commerce*, the provisions of the company's articles of association which limit the *président's* powers may not be raised as a defence against third parties.

The statutory auditors of SAS are appointed at the general meeting of shareholders.

A *Société à Responsabilité Limitée* (SARL) may have a single shareholder if its by-laws so provide. The liability of the shareholders is limited to the amount of their equity participation. The minimum share capital of an SARL is ε7,622; it may not issue securities and interests in an SARL are referred to as "*parts sociales*".

An SARL is managed by one or more *gérants* who are individuals. The *gérant* is appointed by the shareholders in general meeting and may be removed by the latter for proper cause. In accordance with article L. 223-18 of the French *Code de commerce*, as regards third parties, the *gérant* is fully empowered to bind the company, even if such acts exceed the corporate purpose of the company. In accordance with article L. 223-18 al. 6 of the French *Code de commerce*, the limitations of powers in respect of the *gérants* are *inopposable* (not binding) *vis-à-vis* third parties.

An SARL must have a statutory auditor if certain thresholds are reached (turnover, number of employees). The auditor is appointed by the shareholders in general meeting.

Ultimate authority within an SARL lies with the shareholders in general meeting.

Insolvency

The relevant French legislation applicable to bankruptcy and insolvency (*procédures collectives*) is contained in Articles L. 620-1 and *seq*. of the French *Code de commerce* (the "**Insolvency Law**"). Under French law, no distinction is made between insolvency and bankruptcy proceedings (together "**Insolvency Proceedings**").

Insolvency Proceedings set out in the Insolvency Law apply to corporate entities (whether of a commercial or civil nature), individuals carrying on trade activities (*commerçants*), craftsmen (*artisans*) and farmers.

The only persons excluded from these proceedings are individuals carrying on civil activities (which are subject to a separate set of rules) and public entities, which are not subject to any specific Insolvency Proceedings because of their particular status. FCCs are also not subject to Insolvency Proceedings because they have no legal personality.

Courts

The courts which will have jurisdiction to hear Insolvency Proceedings will depend on whether the debtor conducts a civil or commercial activity. In principle, for commercial debtors (for example *sociétés anonymes, sociétés en nom collectif, sociétés par actions simplifiées, sociétés à responsabilité limitée* and individuals conducting trade activities), the court of first instance is the commercial court (*tribunal de commerce*) located where the debtor has its registered office (or, in the case of a debtor which is a foreign entity with no registered office in France, its principal place of business in France).

For civil debtors (companies of a civil nature and farmers), the relevant court of first instance will be the civil court (*tribunal de grande instance*). The same principles apply to the location of this court as for the commercial court, as described above.

During Insolvency Proceedings, a *juge-commissaire* is appointed by the court, given certain jurisdictional powers, and is in charge of many procedural matters relating to the proceedings (such as the admission or rejection of claims). Appeals against decisions made by a *juge-commissaire* are usually made to the commercial (or civil) court, except in certain specific instances, where they are made directly to the court of appeal.

Appeals against rulings made by the commercial or civil courts are made before the court of appeal.

Voluntary Arrangements

When a debtor finds itself in financial difficulties but is not yet insolvent, it can seek to benefit from the pre-insolvency proceedings (*règlement amiable*) provided for under Articles L. 611-3 *et seq*. of the *French Code de commerce*.

A request is made by the debtor to the commercial court or the civil court, depending on the nature of the debtor's activities. Unlike Insolvency Proceedings, pre-insolvency proceedings may only be instigated by the debtor. There have been several examples of the application of this procedure in the real property field.

If the court is satisfied that the company is in financial difficulties, which are not insurmountable, it will appoint a mediator (*conciliateur*). The mediator is nominated for a maximum period of four months, and his principal function is to procure an amicable agreement between the debtor and its main creditors.

There are no mandatory provisions in a voluntary reorganisation. Such an arrangement will, however, usually include stays in respect of payments or waivers of debts, and sometimes provisions relating to the company's organisation (modification of capital or by-laws, undertaking to sell certain assets, etc.). All creditors may be asked to participate in the plan but are not obliged to do so.

If the debtor and the mediator reach an agreement with the creditors, the agreement may be approved by the court. This approval by the court does not have any real legal consequences and is more intended as moral support for the parties.

The voluntary arrangement does not involve interference by any third party in the normal management of the undertaking, which remains in the hands of the existing directors and shareholders.

A failure by the debtor to meet any of its financial commitments under the voluntary arrangement leads to Insolvency Proceedings, which can be commenced at the request of the debtor itself, by any of the creditors party to the arrangement or by the *Procureur de la République* (state prosecutor), or on the order of the commercial court.

Mandatory Rescheduling

Articles 1244-1 and *seq*. of the French *Code civil* provide as follows:

A court may grant time to a debtor *vis-à-vis* one of its creditors in respect of payment obligations or reschedule payments due by that debtor to such creditors, subject to a two-year time limit.

The court may also order that the amounts in respect of which time has been granted or the payment of which has been rescheduled will bear interest at a lower rate than the contractual rate. However, the court may not impose a rate that is less than the official rate (*taux légal*). The court may also order that certain payments shall be applied to the repayment of principal.

A court order under Article 1244-1 of the French *Code civil* will suspend any enforcement measures carried out by the relevant creditor and which are pending and any contractual interest or penalty for late payment will not be due during the period ordered by the court.

Extension of Insolvency of the Borrower

Any person or company which is a manager, whether in law or in fact (*dirigeants de fait ou de droit*) of an insolvent company may also be held personally liable for the debts of the company (a) if they are found guilty of misconduct in the management of the company's business (*faute de gestion*), or (b) if they have used the company's credit in their own interests. In the latter case, the directors may be obliged to pay all or part of the company's debt, either as a result of separate proceedings against them (*action en comblement de passif*), or by way of an extension of the Insolvency Proceedings to their personal assets in the proceedings against the debtor.

A court may extend the Insolvency Proceedings of one company to another company if the court finds that the assets and liabilities of that company and such other company have been managed as a single unit. The French supreme court (*Cour de cassation*) has established case-law for two types of situations which would entitle a court to extend Insolvency Proceedings of one company to another, even when the second company is not insolvent: the merging of assets and liabilities between the companies (*confusion des patrimoines*) and the fictitious nature of the companies (*fictivité*).

The merging of assets and liabilities between companies is a question of fact which will be assessed by the competent court. It may result from a mingling (*imbrication*) of assets and liabilities resulting from a general confusion in their respective accounts, which renders the determination of the companies' respective assets and liabilities impossible, or unusual financial or business relationships between the relevant companies, such as transfers of assets by one company to another without proper or any consideration (e.g. a company pays its own debts using the funds of the other company).

There is no precise legal definition of the concept of what amounts to the fictitious nature of a company. It has been held to apply where a separate legal entity exists in form only. In essence, the fictitious company has no autonomy and does not in practice exist as an independent entity despite the existence of an independent legal structure, and its creation results from a fraudulent intent.

However, the existence of one or more of these elements is not sufficient to determine the fictitious nature of a company, the establishment of which depends mainly on the facts, considered on a case by case basis.

Commencement of the Insolvency Proceedings

The conduct of Insolvency Proceedings is the same whether commenced voluntarily or by creditors.

An insolvent debtor is required under the Insolvency Law to file a request for the commencement of Insolvency Proceedings with the relevant court within 15 days of the date on which the debtor becomes insolvent (*en état de cessation des paiements*), that is when the debtor is unable to meet its current liabilities out of its current assets (cash available or assets which may be quickly turned into cash).

Any unpaid creditor may file a request to commence Insolvency Proceedings or liquidation proceedings against a debtor. In practice, it is helpful if a creditor can show that it has already tried to obtain payment (for example, by attempting to seize the debtor's assets), as these actions will help to prove that the debtor is actually unable to meet its current liabilities out of its current assets, which is the necessary condition for the commencement of Insolvency Proceedings. If the creditor requests liquidation proceedings (meaning that the debtor is going to be put in liquidation without any observation period) rather than Insolvency Proceedings, it will have to prove that the debtor has actually ceased business or that recovery is obviously impossible.

It should be noted that the commercial court (*tribunal de commerce*) or the state prosecutor (*Procureur de la République*) may also commence Insolvency Proceedings.

When the court declares the commencement of Insolvency Proceedings, it will also have to decide whether or not the business can be continued as a going concern. If it decides that it cannot, the court will make an immediate order for the business to be liquidated. If the court considers that the business may be continued as a going concern, it will order the commencement of an observation period (*période d'observation*) during which an administrator (*administrateur*) appointed by the court will investigate the affairs of the debtor and make proposals for the continuation of its business. The appointment of an administrator is not mandatory in the simplified bankruptcy proceedings which would be applicable to the French Borrowers. At the end of the observation period, the court will make an order for the continuation of the debtor, for the sale of its business or for its liquidation, as appropriate.

The observation period can last up to 20 months (with a minimum of six months which can be extended for six months more if the state prosecutor requests such extension from the bankruptcy court) and entails the following consequences, among others:

(a) the debtor will be prevented from making payments in respect of any debts incurred before the commencement of the observation period;

(b) creditors to whom the debtor became indebted prior to this date are required to send in a statement of their claims (creditors must file their claims in the Insolvency Proceedings within two months (four months for non-French resident creditors) of the official commencement of the proceedings (i.e. the publication of the judgement opening the proceedings in the *Bulletin Officiel des Annonces Civiles et Commerciales* (BODACC)); failure to file the claim within these time limits results in the debt being extinguished and any security rights being lost;

(c) secured creditors will not be entitled to enforce their security; and

(d) in principle no further security may be granted over the assets of the debtor; and all actions and proceedings against the debtor will be stayed insofar as they relate to the payment by the debtor of

any sum, or the termination of a contract for default (events of default linked to insolvency or similar events will, therefore, not be enforceable).

At the commencement of the Insolvency Proceedings, the court will also appoint a creditor's representative (*représentant des créanciers*).

At the end of the observation period, the court will adopt one of three alternatives:

(a) Continuation of the business

In this case, the court will draw up a plan to ensure the successful continuation of the debtor's business. Such a plan may provide for delayed payments and impose obligations on the debtor. Although the court cannot force creditors to accept payment delays, the power of the court to enforce in principle unlimited time limits on payment achieves a substantially similar result (usually such time limits do not exceed ten years).

If the debtor does not comply with the obligations provided by the continuation plan, any creditor may request the termination of the plan. Such termination will result in the automatic liquidation of the debtor.

(b) Sale of the business

In this case, the court will draw up a plan to ensure the sale of the debtor's business, either in whole or in part, if it appears that the business is commercially viable but that the debtor is not the appropriate person to manage it. After the sale, the remaining assets of the debtor will be sold, the debtor being de facto liquidated.

(c) Liquidation of the debtor

A liquidation of the debtor occurs if it appears that the business is definitely not viable.

It is only in the event of sale or liquidation that there will be a distribution of monies to the creditors since, in the event of continuation, creditors will be paid according to the continuation plan. In such cases, either the person responsible for the execution of the sale plan (*commissaire à l'exécution du plan*), or a liquidator appointed by the court, will carry out the sale or liquidation proceedings.

Fraudulent Conveyance Period (*Période Suspecte*)

When the court declares the opening of Insolvency Proceedings, it will also fix the date on which the debtor effectively became insolvent (*date de cessation des paiements*). This date can be fixed at any time up to 18 months prior to the order declaring the opening of the insolvency. The period between the date of effective insolvency and the date the court declared the commencement of Insolvency Proceedings is known as the suspect period (*période suspecte*).

Certain acts are automatically null and void if they fall within the suspect period. These include in particular, voluntary disposals of assets, contracts which impose unduly onerous obligations on the debtor, payments of debts before they are due, payments which are not made in cash, or by certain specific means described in the Insolvency Law, or by normal commercial means, and mortgages and charges granted by the debtor over its movable or immovable property.

There is some debate as to whether a *délégation* arrangement entered into during the suspect period of the grantor of the *délégation* (known as the *délégant*) constitutes a payment which is not made by normal commercial means, and indeed whether payments made under a *délégation* during the suspect period of the *délégant* could be set aside on the same grounds even where the *délégation* is entered into prior to the start of the suspect period.

The court may also, at its discretion, declare void any transaction entered into by the debtor after the deemed insolvency date, if it is proved that the other party had actual knowledge that the debtor was insolvent when it entered into such transaction. In the event that an act or a transaction is declared void by the court, the creditor will be deprived of rights and will have no claim under the void act or transaction.

Secured Parties During and After the Observation Period

First Category – Security Conferring a Right of Retention

The relevant types of French law security include pledges of financial instruments account (*nantissements de compte d'instruments financiers*) and cash deposits (*gage-espèces*).

During the observation period, at the request of the administrator, the *juge-commissaire* may require a secured creditor to surrender the subject matter of its security. However, if the security confers a right of retention on the creditor, the surrender can only be required subject to the following conditions:

(a) the debt secured must be paid up to the full value of the secured asset; and

(b) the subject matter of the security must be required for the purposes of continuing the debtor's business.

At the end of the observation period, if the court orders the continuation of the business under a reorganisation plan (*plan de continuation*), the secured creditors will remain unable to enforce their security, and they will be forced to accept a rescheduling of their secured debts. Such a reorganisation plan may last up to ten years. On the other hand, secured creditors benefiting from a right or retention cannot be deprived of the subject matter of their security while the reorganisation plan remains in force.

Alternatively, if the court orders the sale of the business at the end of the observation period, and provided that the subject matter of the security does not form part of the business assets sold, a secured creditor benefiting from a right of retention would be able to enforce its security by applying to the court for an order transferring the subject matter of the security to the creditor. This procedure is known as *attribution judiciaire*. It requires a valuation of the subject matter of the security to be made by a court-approved expert. The *attribution judiciaire* will extinguish the debt in an amount equal to the valuation.

The principal advantage of the *attribution judiciaire* procedure is that it enables the secured creditor to obtain title to the subject matter of the security free of the claims of any prior ranking creditors such as the French State (in respect of taxes), employees and creditors defined under Article L. 631-32 of the French *Code de commerce* (see "Second Category – Security Without a Right of Retention" below).

If, on the other hand, the subject matter of the security does form part of the business assets sold, the secured creditor will not be able to request the *attribution judiciaire*. The court will, instead, allocate a part of the sale price to the subject matter of the security. The secured creditor will be able to accept this amount in satisfaction of his claim on the relevant asset, although certain preferred creditors (see the preceding paragraph) will have a prior claim to such amount. In other words, the secured creditor in this situation will be in the same situation as the holder of a security interest that does not confer a right of retention (see "Second Category-Security Without a Right of Retention" below).

However, certain security interests may be enforced without having recourse to the courts. This includes, in particular, pledges over assets whose value is not subject to debate (such as pledges over financial instruments listed on a regulated market) or securities involving a transfer of ownership of the underlying assets (such as securities over cash constituted in the form of *gage-espèces* whereby the ownership of the cash is transferred to the beneficiary).

Finally, in the event that the court orders a liquidation, a secured creditor benefiting from a right of retention will be free to see the *attribution judiciaire* of the subject matter of the security interest. Alternatively, the liquidator may require the secured creditor to surrender the subject matter of the security interest, but only against payment of the secured debt. Accordingly, the rights or a secured creditor benefiting from a right of retention should be fully protected in a liquidation.

First Category - Security Without a Right of Retention

During the observation period, assets that are the subject of a *privilège de prêteur de deniers* may be sold by the administrator with the consent of the *juge-commissaire*. If those assets are subject to security interests which do not confer an actual right of retention, an amount equal to the lesser of the sale price and the secured debt will be deposited in an account. At the end of the observation period, the secured creditors will be paid from this account in accordance with their respective rank. The secured creditors may also be required to accept alternative security.

If the court orders the implementation of a continuation plan, essentially the same rules apply. In such case, the creditor still benefits from the security granted by the company.

If the court orders the sale of the secured asset and in the event that the security had been granted in order to secure the acquisition of such asset, the ultimate purchaser of the asset is bound by the terms of the outstanding loan agreements extended for the purpose of such acquisition. In any other cases, the court will apportion, at its own discretion, part of the sale proceeds towards the satisfaction of the secured debt.

The potential difficulty in all of these situations is that the claim of the secured creditors to the proceeds of sale will be subordinated to the claims of certain prior-ranking creditors, being the French State (in respect of taxes), employees (although none of the French Borrowers have employees) and creditors defined under Article L.631-632 of the French *Code de commerce* (being those persons who have granted credit to the insolvent company after the opening of the Insolvency Proceedings).

Second category - Assignment (Délégation)

A delegation (*délégation*) is not a grant of security. It is not therefore subject to the same analysis as that applicable to security interests.

The effect of the delegation agreements (*délégations imparfaites*) relating to the insurance policies covering the French Properties entered into by the French Borrowers with the Originators and transferred to the French Issuer, is that they confer on the French Issuer, as *délégataire*, a debt claim against the relevant insurance companies, as *délégués* on the same terms as the debt claim owed to the French Borrowers, as *délégants*, under such insurance policies. The same applies to some of the French Leases. Pursuant to delegation agreements (*délégations imparfaites*) entered into by the French Borrowers with the Originator and transferred to the French Issuer, the French Issuer, as *délégataire*, is entitled to claim payments under the leases against the relevant tenants, as *délégués* on the same terms as the debt claim owed to the French Borrowers, as *délégants*, under such French Leases. These debt claims are in principle independent of the relationship between such insurance companies or tenants and the French Borrowers.

Sale of the Property in liquidation proceeding

Pursuant to Article L. 622-16 of the French *Code de commerce*, the sale of properties in a liquidation proceeding is carried out by way of public auction in front of court (*vente aux enchères*). However, if the nature of the property, its location, or the offers received are sufficient to allow an amicable transfer (*cession amiable*) on better terms, the *juge-commissaire* may authorise the sale either by way of amicable auction in front of a public notary (*adjudication amiable*) or by mutual consent between the creditor and the purchaser (*vente de gré à gré*). Nevertheless, the *juge-commissaire* can choose either of these methods in his/her discretion.

Article L. 622-23 of the French *Code de commerce* provides also that creditors holding a mortgage are entitled, once they have fulfilled the legal obligation to declare their claims to the creditor's representative and even such claims have not yet been acknowledged by the *juge-commissaire*, to enforce their rights if the liquidator or the *commissaire à l'exécution du plan* has not initiated the sale of the charged assets within the three month period following the date of the judgement which instituted or declared the liquidation or the sale of the business.

If the liquidator does sell the property during such three-month period, the sale price will be distributed to the creditors. In such event, the creditor holding a first ranking mortgage shall only be paid after payment of the employees' privileged receivables, the legal fees and "Article 40" claims.

Obligations and Liabilities of Commercial Property Landlords

The French Leases are principally commercial leases (*baux commerciaux*).

Under French law, the leasing of commercial property is regulated under Articles L. 145-1 to L. 145-60 of the French *Code de commerce* (the "**Statute**") and those provisions of the Decree of 30th September, 1953 which have not been codified and abrogated. The Statute applies to leases of buildings or premises in which a going concern (*fonds de commerce*) is carried out provided that the going concern belongs either to a merchant or industrial entity registered with the relevant Companies and Trade Registry (*Registre du Commerce et des Sociétés*) or to a craftsman, registered with the craftsman official registry (*répertoire des métiers*). The main purpose of the Statute is to protect the investments of the tenants by giving them security of tenure in order to enable them to run their businesses and to retain their goodwill.

The Statute is applicable only if specific conditions are met. These are that the provisions regarding the autonomy of the tenant must be clearly drafted in the lease and the tenant must be able to prove that he effectively runs his business independently and at his own risk.

The Statute wholly or partially governs the duration, renewal, and termination of the lease, rent review, use of the premises, sub-letting and assignment of the lease. Without prejudice to the application of the Statute, Articles 1714 to 1778 of the French *Code civil* govern general terms of the lease, such as maintenance and repairs to the building.

Should the Statute not be applicable, the lease will be governed by general rules of the French *Code civil* and the applicable contractual provisions.

Duration

Nine years is the usual duration of a commercial lease, the lessee having a three yearly right to terminate the lease at the end of each three year period. The lessee may, however, waive its three yearly right to terminate the lease.

Right of renewal

The aim of the Statute is to grant the tenants security of tenure (*propriété commerciale*) so that they may ensure the continuation of their business and retain their customers. Indeed, upon expiration of a lease (generally at the end of the 9-year period), the tenant is entitled either to renew the lease or to receive compensation (*indemnité d'éviction*) if the lessor refuses to renew the lease, such compensation being based, in particular, on the open market value of the going-concern (*fonds de commerce*), plus normal moving and reinstallation expenses and the lessee's expenses and taxes payable in respect of the purchase of a new going-concern of the same value.

There are cases where the increase in rent on renewal of the lease is subject to an upper limit. The difference between the initial rent under the original lease and the rent at the date of renewal cannot exceed the variation in the construction cost index over the same period of the lease if the initial duration of the lease as stipulated in the initial contract does not exceed nine years, and the actual duration of the lease (if neither of the parties acts on expiry i.e. if the lease is tacitly renewed) does not exceed twelve years. If these conditions are satisfied upon renewal, the rent will be subject to an upper limit. The maximum rent which may be charged by the landlord is calculated on the basis of the variation in the construction cost index published by quarterly by the *Institut National de la Statistique et des Etudes Economiques* (INSEE). Upon renewal of the lease, it is therefore necessary first to establish the rental value of the premises, either by agreement or by recourse to the courts, and secondly to determine the rent for the renewed lease on the basis of the upper limit outlined above. Having calculated these two amounts, the lower of the two should be used as the rent for the renewed lease.

No upper limit is applicable: (a) to land which has not been built on (*terrains nus*), (b) to premises used exclusively for office purposes, (c) to premises which can only be used for a specific activity (*locaux monovalents*) such as premises used for hotels or movie theatres, (d) to a lease with a term of more than twelve years and (e) in case of a significant modification of the criteria which were taken into consideration to determine the original rental value of the premises (*modification notable des elements déterminant la valeur locative*), such elements being, unless otherwise agreed upon between the parties, (i) the characteristics of the concerned premises, (ii) the business carried out in the concerned premises (*destination des lieux*), (iii) the obligations of the parties under the concerned lease, (iv) the local commercial factors (*facteurs locaux de commercialité*) and (v) the current levels of rent in the area (*prix couramment pratiqués dans le voisinage*).

The right of renewal is not applicable in limited situations provided by the Statute (e.g. in case of default by the lessee under the lease and construction or reconstruction of the building).

Regulation of the rent revision

At the end of each three year period, either party may request the revision of the rent. The rent may be adjusted within the limit of the variation of the national cost of construction index published quarterly by the *Institut National de la Statistique et des Etudes Economiques* (INSEE) (since the rent was last set). However, where there has been an effective modification to local commercial factors (*facteurs locaux de commercialité*) resulting in a variation of more than 10 per cent. of the rental value of the rented premises, the rent shall then be revised according to the rental value of the premises.

In case of renewal of the lease, the variation of the rent may not exceed the variation of the national cost of construction index, except in case there has been a notable modification of the elements determining the rental value of the premises. In this case, the rent shall be adjusted according to the rental value of the premises.

Furthermore, the variation of the rent may also not be capped in specific situations and shall therefore be adjusted according to the rental value of the premises. This may be the case in particular in the following situations: (a) lease entered into for more than 9 years, (b) lease initially entered into for a period of 9 years, exceeding 12 years as a result of renewal by tacit agreement, (c) premises exclusively used for office purposes or for very specific use (e.g. cinema).

The parties to a lease are free to derogate to the legal provisions regulating the revision of the rent which means that they may elect their own criteria to determine the revision of the rent.

In this respect, a rent may be determined in relation to a percentage of the turnover figures (*clause recette*) (in a decision dated 10th March, 1993 (Théâtre Saint Georges), the French supreme court (*Cour de Cassation*) decided that when a rent had initially been fixed, on the one hand, in relation to a percentage of the turnover figures (*clause recette*) and, on the other hand, on the basis of a minimum indexed rent, the fixing of the renewed rent of such lease is not subject to the provisions of the Decree and, accordingly, is to be governed solely by the agreement of the parties. This means that the rent could stay unchanged in the absence of an agreement).

Allocation of the charges, insurance premiums and taxes

In the absence of specific provisions provided for under the lease, the allocation of the charges is governed by the general rules (*droit commun*): the charges relating to the ownership of the property are borne by the lessor (in particular land and local taxes (such as respectively *taxe foncière* and *taxe sur les bureaux en Ile de France*), insurance premiums of the building, management fees, etc.) as opposed to the rental charges traditionally borne by the lessee (e.g. building supplies, rental taxes (*taxes locatives*), common maintenance costs).

Works

Unless otherwise provided, the lessee is deemed to bear the cost of all repairs with the exception of large scale structural repairs (*grosses réparations*) defined under Article 606 of the French *Code civil* (e.g. walls pertaining to the structure of the property, restoration of the roof structure and of the entire roofing).

Structural repairs can either be shared by the parties, the lessee being responsible for the ordinary maintenance works and the lessor for the large-scale works under Article 606 of the French *Code civil*. Alternatively, the lease can provide that the lessee shall bear the cost of all the structural repairs, whether ordinary or large-scale.

Rental deposit

It is usual for the lessor to require the lessee to pay a rental guarantee deposit which corresponds to three months' rent (excluding charges and VAT). Like the rent, such rental guarantee deposit is usually indexed on an annual basis upon the variation of the national cost of construction index. However, it is sometimes replaced by a bank guarantee as a result of negotiations.

Sub-letting and assigning of the lease

Unless stipulated to the contrary in the lease, any sub-letting in whole or part is prohibited. When agreed by the lessor in compliance with the rules provided for under the Statute, the relationship between the lessor, the lessee and the sub-lessee are regulated as follows: (a) between the lessee and the sub-lessee, the lease is governed by the Statute; and (b) between the lessor and the sub-lessee, upon expiry of the head lease, the sub-lessee is entitled to ask for the renewal of the sub-lease, unless otherwise expressly provided. Contrary to provisions regarding the sub-letting, the assignment of the lease is free except where it is otherwise provided. However, the lessor cannot prohibit the right to assign the lease when the lessee intends to assign the lease to the purchaser of its going concern (*fonds de commerce*).

Remedies

Parties are free, in particular, to provide for penalty clauses (e.g. for late payment). However it is to be stressed that Article 1152 of the French *Code civil* allows the judge to increase or reduce the penalty should the latter be excessively low (*dérisoire*) or excessively high. This article is a matter of public policy and reduces the enforceability of penalty clauses.

If the parties did not provide for specific provisions in the contract, French law provides for various remedies. The main legal remedies are (i) the seizure (the landlord may be entitled to seize certain goods of the tenant located at the relevant real property and/or the tenant's bank accounts), (ii) court action to recover unpaid rents, (iii) termination of the relevant occupational lease, and (iv) eviction of the tenant. It should be noted that, under French law, tenants can seek relief from the courts when those remedies are being exercised. In particular, the French judge may defer or spread out, over a two-year time limit, payment of sums due by the tenant. The ability of a French Borrower to exercise remedies is also seriously limited if the tenant is subject to Insolvency Proceedings at the time exercise of the remedy is sought.

Termination of the leases

Commercial leases usually provide for a termination clause (*clause résolutoire*) in the event the tenant does not comply with its obligations under the lease. Such termination is strictly regulated. The lessor is required first to send the lessee a notice, served by bailiff (*huissier*), requiring that the breach be remedied within a one-month period from receipt of such notice by the tenant. If the lessee does not remedy the breach within the said one-month period, the lessor may then terminate the lease provided that termination has been subject to a final court decision.

It should be noted that the judge may, in his discretion, suspend the effects of the termination clause, if the tenant asks the judge to defer or spread out payment of the sums due.

Moreover, it should be noted that, if a lease does not have a termination clause, French law allows a party to terminate the lease as a result of the other party's failure to comply with the lease. Exercise of termination remedies occurs, however, under the court supervision.

With respect to the commercial leases, the tenant's three yearly right to terminate the lease at the end of each three year period can be excluded since it is not a matter of public policy.

Termination of a lease followed by re-letting may also give rise, in certain circumstances, to the levy of significant duty pursuant to Article 725-3 of the French Code *général des impôts* (the French general tax code). The tax authorities are inclined to think that such a transaction is in fact an assignment of the lease, which is itself subject to registration duty (*droit d'enregistrement*). The registration duty is collected on the amount of the sum or indemnity received by the former tenant or on the actual fair market value of the right transferred as determined by an estimated statement established by the parties should the agreement not expressly provide for a sum or indemnity for the benefit of the former tenant or should the sum or indemnity agreed upon be inferior to the actual fair market value of the right transferred. The relevant amount does not entail any registration duty below a threshold of ε23,000, then, it gives rise to a registration duty of 3.80 per cent. up to a threshold of ε107,000 and above the said threshold, to a registration duty of 2.40 per cent..

Allocation of charges between the parties

Under the French *Code civil*, the tenant is liable for and bears the cost of rental repairs, i.e. maintenance repairs except for those due to wear and tear or *force majeure*, and the lessor is liable for and bears the costs of all other repairs, in particular structural repairs. However, such provisions only apply if the parties have not provided otherwise in the lease. The lease may provide that the rent shall be net of all charges for the lessor: this means that the lessee shall bear the cost of all repairs including structural repairs. Parties could expressly provide that the lessee shall also be responsible for carrying out at its own cost any work, fitting out works (*travaux d'équipement*), installation and construction of any kind which may be required by law or regulations, in particular, but not limited to, environmental, health and safety matters which are usually general employers obligations.

The French *Code de commerce* provides for a special exception to the minimum nine year duration of commercial leases for short term leases not exceeding two years. Such short term leases are exempt from the provisions of the French *Code de commerce* and the Decree. However, if, upon the expiry of the two year period, a tenant is allowed to remain in the premises, the initial two year lease automatically becomes a nine year lease which is then governed by the French *Code de commerce* and the Decree. The same principle applies to short term leases which are renewed.

CERTAIN MATTERS OF IRISH LAW

This section summarises certain Irish law aspects and practices in force at the date hereof relating to the transactions described in this Offering Circular. It does not purport to be a complete analysis and should not, therefore, be treated as a substitute for comprehensive professional, legal and tax advice on the relevant matters, nor on any such issue which may be relevant in the context of this Offering Circular.

Transfer of the Irish Loans and Irish Related Security

Unlike the position in France, there is no specific securitisation law in Ireland which provides for the transfer of loans and related security as part of a securitisation process. Accordingly, the rights of the Originator in respect of the Irish Loans, and its interest in the Irish Security Trust, will be transferred to the Irish Issuer pursuant to the Irish Asset Transfer Agreement pursuant to general provisions of Irish law rather than a specific securitisation law.

Irish Related Security

Security over real property

The type of security created over Irish real property will depend on whether the real property is registered land or unregistered land. Registered land is land which is subject to the Irish registration process outlined in the Irish Registration of Title Act, 1964. The process provides that ownership of certain registered land, and of certain rights over such land, must be recorded in a central register, the Land Registry of Ireland. The certificates of title furnished by the Irish Borrower's solicitors confirm that the Irish Property is registered land.

The principal method of taking security over registered land (whether freehold or leasehold) is by taking a charge over the property from the registered owner. Upon execution, the charge must be filed with the Land Registry of Ireland in accordance with its rules. Priority of registered charges is governed according to the order in which the charges are entered on the register, and any charge over registered land will not be effective unless it has been filed with the Land Registry. Although the security interest is called a charge, the Registration of Title Act, 1964 gives the holder of the registered charge the status of a legal mortgagee. This means that the mortgagee can avail itself of the statutory powers and rights under the Conveyancing Acts, 1881 to 1911 (as discussed in more detail below).

The security created over the Irish Property will be a charge (for registered land) subject to an equity of redemption in favour of the Irish Borrowers.

Other security

Fixed charges have been created over two Irish bank accounts in favour of the Irish Loan Security Trustee as part of the Irish Related Security. A charge under Irish law has the same meaning as under English law, namely an agreement by the chargor that the chargee may appropriate the charged property to satisfy the secured claim on the occurrence of certain events.

Irish case law has drawn a distinction between fixed and floating charges over bank accounts. Where the holder of a fixed charge over a bank account does not have sufficient control over the account (and the funds standing to its credit), it is possible that the Irish courts will hold the fixed charge to be a floating charge, thereby leaving the charge to rank behind certain statutory preferred creditors on a winding-up of the chargor.

The documents constituting the Irish Related Security impose restrictions on the ability of the chargors (the Irish Borrowers) to deal with the funds standing to the credit of the Irish Rent Account, and the Irish Loan Security Trustee has sole signing rights in respect of the Irish Rent Account.

The Irish Related Security also includes further charges and security assignments over book debts and contractual rights of the chargors/assignors, including the Rental Income generated in respect of the Irish Property.

It is not possible under Irish law for an individual to create a floating charge over its assets. Accordingly, none of the Irish Borrowers has created a floating charge over his assets (to the extent that they relate to the Irish Property).

Enforcement of Irish Related Security

Appointment of a Receiver

The principal remedy in the event of a default under an Irish Loan would be the appointment of a receiver over the Irish Property and all or any of the other assets which are the subject of the Irish Related Security.

In Ireland, a mortgagee under a deed is entitled under the Conveyancing Acts, 1881 to 1911 to appoint a receiver. Where the relevant document is not executed under seal, and does not give the mortgagee/chargee power to appoint a receiver, the mortgagee must apply to the court to appoint a receiver.

Such a receiver is deemed by law to be the agent of the borrower, until the borrower's liquidation/bankruptcy, and thus whilst acting within his powers only incurs liability on behalf of the borrower. If however any secured creditor unduly directs, interferes with or influences the receiver's actions, a court might decide that the receiver was the agent of the secured creditor and that the secured creditor should be responsibility for the receiver's acts.

It is standard practice that a receiver will seek an indemnity as a condition of his appointment or continued appointment.

The Conveyancing Acts, 1881 to 1911 outline certain statutory powers and rights of a receiver. The mortgage over the Irish Property and the documents creating the other Irish Related Security contain standard provisions supplementing the statutory powers of any receiver appointed pursuant to such documents, and removing certain restrictions outlined in the Conveyancing Acts, 1881 to 1911 on their exercise.

Once appointed, the receiver will be entitled to take possession of the mortgaged property, to receive any income from such property and to sell the property in discharge of the secured claim. Where provided in the security document, the receiver may also have the power to manage the property over which the mortgage extends; this will in effect give the receiver the power to manage the affairs of the mortgagor relating to the Property.

In exercising his power of sale, the receiver is not bound to sell the property at a public auction, and is not subject to any statutory procedure as to the acceptance of any bids. However, the receiver does have a duty to exercise all reasonable care to obtain the best price reasonably obtainable at the time of sale.

Mortgagee in Possession

Under Irish law, it is also open for the mortgagee to take possession of the mortgaged assets itself and effect a sale. However, this is not common where the secured assets include real property. By entering into possession of the relevant property and becoming a "mortgagee in possession", the mortgagee has an obligation to account to a borrower for the income obtained from the relevant property and in the case of a tenant will be liable to a tenant for any mis-management of the relevant property. A mortgagee in possession may also incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner. Accordingly, where it is necessary to initiate enforcement procedures against an Irish Borrower, it is more likely that a receiver would be appointed to collect the rental income on behalf of the secured creditors and if necessary effect a sale of the relevant assets.

Insolvency Proceedings

There are separate proceedings applicable to insolvent natural persons and bodies corporate.

Bankruptcy

The principal procedure applicable to natural persons in financial difficulties in Ireland is bankruptcy. Where a person is adjudicated bankrupt, that person's property vests by operation of law in an assignee who is charged with the realisation of the assets for the benefit of the creditors of the bankrupt. Upon adjudication, the bankrupt loses the ability to deal with his property, and creditors (with the exception of secured creditors) lose the right to independently recover any debts owing to them by the bankrupt.

A person may be adjudicated bankrupt on an application being made to the High Court. In order for a person to be adjudicated bankrupt, he must have committed an "act of bankruptcy". The relevant acts of bankruptcy are defined in the Irish Bankruptcy Act, 1988 and include filing by the bankrupt in the High Court of a declaration of insolvency, the failure to pay an amount which has been the subject of a bankruptcy

summons, the making of a fraudulent conveyance or gift of his property or the conveyance of all of his property to a trustee or trustees for the benefit of his creditors generally.

If the High Court adjudicates a natural person a bankrupt, all property belonging to the bankrupt at the date of his adjudication automatically vests in the Official Assignee for the benefit of his creditors. On adjudication, a creditor cannot have recourse to the property of the bankrupt in respect of any debt due to him and must prove for the amount of the debt in the bankruptcy process.

However, the bankruptcy process does not apply to claims of secured creditors, and such creditors may realise their security as they see fit outside the bankruptcy. Therefore, the Irish Loan Security Trustee may enforce the mortgage over the Irish Property upon the occurrence of an Irish Loan Event of Default, notwithstanding the bankruptcy of any one or more of the Irish Borrowers.

In realising the property of the bankrupt, the Official Assignee can seek to set aside certain transfers, conveyances or charges made prior to the adjudication. The provisions of the Irish Bankruptcy Act 1988 and the Conveyancing Act (Ireland), 1634 will deem certain prior conveyances, transfers or charges void as against the Official Assignee if they are made with a view to preferring a creditor or perpetrating a fraud on creditors, or otherwise than in good faith and for valuable consideration, or if such transfer, conveyance or charge constitutes a transaction at an undervalue.

Arrangements under control of the court

Under Part IV of the Irish Bankruptcy Act 1988 a debtor unable to pay his debts may seek the protection of the court to allow him to make an arrangement with his creditors (usually involving some form of compromise of his outstanding debts).

If the High Court grants the order for protection, the debtor cannot without the prior consent of the High Court pledge, transfer or dispose of any of his property save in the ordinary course of his business. The debtor is also protected from any execution orders levied against his property. The stay on execution/proceedings being brought against the debtor does not apply to secured creditors who can realise their security outside of the arrangement process.

Once the order has been made, the debtor must arrange for a meeting of creditors to consider proposals for the future payment or compromise of his debts. The proposals must be to pay a composition on all the debtor's unsecured debts and cannot compromise or write down any secured debts.

If at the meeting of creditors, three-fifths in number and in value of the creditors voting at such meeting accept the proposal, it shall be deemed accepted by all creditors with notice of the meeting subject to the approval of the High Court. Case law to date suggests that the courts will refuse to approve the proposal where it would result in a gross injustice upon opposing creditors or where there is evidence of dishonesty or fraud.

Procedures applicable to Bodies Corporate

The following summary will not be relevant to the Irish Borrowers (who are individuals) but may be applicable to the Irish Issuer.

Liquidation

Liquidation is a terminal process in that the function of the liquidator is to liquidate all of the assets of the company with a view to satisfying, in whole or in part, the creditors' claim.

The winding-up of a company may be by court order or by voluntary liquidation. A voluntary liquidation can take the form of a shareholder's voluntary winding-up, where the company is solvent in that it is able to pay its debts in full within one year of the commencement of the winding-up process, or a creditors' voluntary winding-up where the company is insolvent. A court liquidation is a liquidation of a company within the jurisdiction and control of the Irish courts.

In a voluntary winding-up, the process is initiated by the directors and shareholders of the relevant company. However, in a creditor's voluntary winding-up, the nominee of the creditors will be appointed liquidator over any nominee proposed by the shareholders.

The court liquidation process gives third party creditors a right to initiate the process and control the proceedings. It is the normal process used by third party creditors to liquidate an insolvent Irish company.

The court winding-up process in respect of a company is initiated by petition to the High Court. The Irish Companies Act, 1963, sets out the reasons for which a company may be wound up by the court. The principal reason is a company's inability to pay its debts. If the court grants the liquidation order, the liquidator is appointed.

A liquidator's function is to identify the assets of the company, take those assets under control, liquidate those assets, identify creditors and admit the creditors' claims in whole or in part. The liquidator will advertise for creditors to come forward and prove their claims. Where a creditor's claim is disputed, the court will determine the issue.

Any disposition of property by a company after the commencement of winding-up, including a voluntary winding-up, is void unless the court otherwise directs. In addition, in a court liquidation, no proceedings may be commenced without the consent of the court.

Secured creditors may rely on their security, rather than prove their claims in the liquidation. Where the security is a fixed charge, the assets subject to such security are not available to meet any expenses or claims in the liquidation. Where the security is a floating charge (such as a charge over inventory) and a receiver has not been appointed by the holder of the security prior to the commencement of the winding-up, the expenses of the liquidator as well as certain preferential debts must be met out of the proceeds of realisation of the security. The preferential debts will comprise, among other things, any amounts owed in respect of local rates and certain amounts owed to the Irish Revenue Commissioners for income/corporation/capital gains tax, VAT, P.A.Y.E, social security and pension scheme contributions and remuneration, salary and wages of employees and certain contractors. It is unlikely, given its limited purpose and the contractual restrictions imposed on the Irish Issuer, that the Irish Issuer would have preferential creditors.

As with the bankruptcy process, the liquidator can seek to set aside certain transfers, conveyances or charges made prior to the commencement of the winding-up process. The provisions of the Irish Companies Acts 1963 to 1990 and the Conveyancing Act (Ireland), 1634 will deem certain prior conveyances, transfers or charges void as against the liquidator if they are made with a view to preferring a creditor or perpetrating a fraud on creditors. The Irish Companies Act 1963 also permits the liquidator to set aside floating charges which are entered into within a certain period prior to the commencement of the winding-up process unless the chargor was solvent after granting the charge. A liquidator also has the power to disclaim onerous property of the company in liquidation including unprofitable contracts and property which cannot be sold by reason of onerous covenants attaching to such property.

Examination

Examination is a court procedure available under the Irish Companies (Amendment) Act, 1990 (as amended) to facilitate the survival of Irish Companies and financial difficulties.

The examiner once appointed, has the power to set aside contracts and arrangements entered into by the company after his appointment. The examiner shall not be bound by any prior negative pledge where he (a) is of the opinion that the negative pledge will be likely to prejudice the survival of the company or the whole or any part of its undertaking as a going concern; and (b) serves notice on the other parties to the relevant agreement that he is of that opinion. The examiner shall not be bound by the negative pledge for the period from the service of notice on the other parties to the agreement to the expiration of the period of court protection.

Following the appointment of an examiner, where any claim against the company is secured on the whole or any part of the property, assets or income of the company, no action may be taken to realise the whole or any part of such security, no receiver over any part of the property of the undertaking of the company may be appointed, no proceedings for the winding-up of the company may be commenced or resolution for the winding-up of the company passed and no attachment, sequestration, distress or execution shall be put into force against the property or the assets of the company except with the consent of the examiner. No other proceedings in relation to the company may be commenced except by leave of the court and subject to such terms as it may oppose.

An examiner may sell assets which are the subject of a fixed charge. However, if such power is exercised, it must account to the holder of the fixed charge for the amount realised and discharge the amount due to them out of the proceeds of sale.

In the case of property subject to security which, as created, was a floating charge, the examiner may be authorised by the court to exercise powers in relation to it or to dispose of it as if it were not subject to the security. Where property which is the subject of security which, as created, was a floating charge, is disposed

of by the examiner, the holder of such security is to have the same priority in respect of any property directly or indirectly representing the property disposed of as he would have had in respect of the property subject to such security.

During the period of protection, the examiner will compile proposals for compromise or a scheme of arrangement to assist the survival of the company or the whole or any part of its undertaking as a going concern. A scheme of arrangement may be approved by the High Court when at least one class of creditors has voted in favour of the proposal and the High Court is satisfied that such proposals are fair and equitable in relation to any class of members or creditors who have not accepted the proposals and whose interests would be impaired by implementation of the scheme of arrangements.

In considering proposals by the examiner, it is likely that secured and unsecured creditors would form separate classes of creditors. Creditors are entitled to argue at the Irish High Court hearing at which the proposed scheme of arrangement is considered that the proposals are unfair and inequitable in relation to their interests especially if such proposals include a writing down of the value of the amounts due to such creditors.

The primary risks to secured creditors if an examiner were to be appointed over an Irish company are as follows:

(i) the potential for a scheme of arrangement being approved and involving the writing down of the secured claim;

(ii) the potential for the examiner to set aside any negative pledge in the relevant security prohibiting the creation of security or the incurring of borrowings by the relevant company, so as to enable the company to fund its activities during the protection period; and

(iii) in the event that the scheme of arrangement is not approved and the company subsequently goes into liquidation, the examiner's remuneration and expenses (including certain borrowings incurred by the examiner on behalf of the company and approved by the High Court) will take priority over the amounts secured by the security.

Preferred Creditors under Irish Law

Upon an insolvency of an Irish incorporated company, when applying the proceeds of assets subject to fixed security which have been realised in the course of a liquidation or receivership, the claims of a limited category of preferential creditors will take priority over the claims of creditors holding the relevant fixed security. These preferred claims include the remuneration, costs and expenses properly incurred by an examiner of the company which have been approved by the Irish courts.

The holder of fixed security over book debts (which may include the money standing to the credit of bank accounts) of an Irish tax resident company may be required by the Irish Revenue Commissioners, by notice in writing, to pay to them sums equivalent to those which the holder thereafter receives in payment of the debts due to it by the company. Where the holder of the security has given notice to the Irish Revenue Commissioners of the creation of the security within 21 days of its creation, the holder's liability is limited to the amount of certain outstanding Irish tax liabilities of the company (including liabilities in respect of value added tax) arising after the issuance of a notice by the Irish Revenue Commissioners to the holder of such fixed security.

The Irish Revenue Commissioners may also attach any debt due to an Irish tax resident person (including any natural person) by another person in order to discharge any liabilities of the company in respect of outstanding tax whether the liabilities are due on its own account or as an agent or trustee. The scope of this right of the Irish Revenue Commissioners has not yet been considered by the Irish courts and it may override the holders of security (whether fixed or floating) over the debt in question.

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

Irish Landlord and Tenant Law

Under Irish landlord and tenant legislation, a tenant can be discharged from any continuing liabilities (for example, for rent, service charges, etc.) once he has assigned his lease with the consent of the landlord. The result is that, provided the assignment complies with the statutory requirement to obtain the landlord's consent (which, cannot be unreasonably withheld), the doctrine of privity of contract has not operated.

As regards assignments and other transactions which the tenant may wish to carry out (for example, a change of user), the position in Ireland is that statute law automatically provides that, however the covenant in question is worded (i.e., even if there is an absolute prohibition on assignment or a change of user), the tenant will be able to carry out the transaction provided he obtains the landlord's consent. Furthermore, as mentioned in the previous paragraph, the statute provides that this consent must not be unreasonably withheld. Comfort should however be drawn from the fact that the Irish courts follow the principles adopted by the English courts on this subject. Thus the onus of proving "unreasonableness" rests on the tenant. The landlord will be regarded as acting reasonably where he can establish that the assignment will damage his interest in the property, for example, because the proposed new tenant is not suitable.

It would also be deemed reasonable to protect the landlord's financial interest, by, for example, refusing consent to an assignment to a tenant of no or very low financial standing (as compared with the outgoing tenant) or, as is commonly done, by requiring a guarantee from a guarantor of suitable financial standing as a condition of giving consent. What the courts will not countenance is, however, a landlord using the need for consent to improve his position; it will be regarded as reasonable only to preserve his existing position. Generally, the onus is on the tenant to prove that the landlord is being unreasonable and due to the inevitable delay of court proceedings to prove the tenant's claim, the majority of applications for consent to assignment result in an agreement between the landlord and the tenant with the necessary protections put in place (for example a guarantee or security deposit) to preserve the landlord's position.

Landlords have extensive remedies against defaulting tenants under the general law in Ireland, usually supplemented by the provisions of the lease. The procedure in the case of non-payment of rent (and other payments for this reason usually regarded as "rent", for example service charges and insurance premiums) is very simple, but rather more complicated (involving service of notice on the tenant) in the case of breach of other covenants. Re-entry can, however, be effected without a court order, if done "peaceably"; "forcible" re-entry is, on the other hand, a criminal offence. If the tenant is still in occupation and resists re-entry, the landlord must seek an "ejectment" order from the court. The tenant, sub-tenants and third parties (like mortgagees of the tenant) can apply to the court for relief against forfeiture, which will only be granted on terms designed to correct the default inducing the forfeiture and to protect the landlord's interest in the future.

Partnership

The Irish Borrowers carry on business together as the Cosgrave Property Group. While there was at the date of origination of the Irish Loans no formal partnership agreement between the Irish Borrowers, it is likely that the Irish Borrowers would be deemed to be a partnership as a matter of Irish law.

Irish partnership legislation outlines a number of grounds for dissolution of a partnership, some of which require a court order from the Irish High Court. The principal grounds are as follows: bankruptcy of a partner; death of a partner; dissolution by notice in the case of an informal partnership; dissolution by agreement; illegality; repudiation/recission; mental or permanent incapacity of a partner (which requires a court order); conduct prejudicial to the partnership business/breach of the terms of the partnership (which requires a court order); where the business of the partnership is being carried on at a loss (which requires a court order); and where the Irish High Court is satisfied that it is just and equitable to dissolve the partnership (which requires a court order).

Any dissolution of the partnership would not affect the rights of the Irish Loan Security Trustee to realise the Irish Related Security. However, on dissolution of a partnership, any partner has the right to call for the partnership assets to be converted into money by a sale (including the sale of a property), for the debts of the partnership to be discharged and for any surplus to be divided among the partners. These rights would be subject to any prior agreement between the partners as to what is to happen in the event of a dissolution.

CERTAIN MATTERS OF BELGIAN LAW

This section summarises certain Belgian law aspects and practices in force at the date hereof relating to the transactions described in this Offering Circular. It does not purport to be a complete analysis and should not, therefore, be treated as a substitute for comprehensive professional, legal and tax advice on the relevant matters, nor on any such issue which may be relevant in the context of this Offering Circular.

Status of the Belgian Bonds

Unlike the position in France, aside from the applicable provisions in the Belgian Civil Code (*Code Civil*), there is no specific securitisation law in Belgium which provides for the transfer of loan receivables and related security as part of a securitisation process. Accordingly, the rights of the Originator in respect of the Belgian Bonds, and its underlying interest in the Belgian Related Security, will be transferred to the Issuer when the Issuer purchases the Belgian Bonds pursuant to general principles of Belgian law rather than a specific securitisation law.

Belgian Related Security

Mortgage

Security over real property is, a matter of Belgian law, granted by way of a mortgage (*hypotheek/hypothèque*) pursuant to articles 41-108 of the Law on Mortgages (*Loi hypothécaire*). It gives the beneficiary of the mortgage (*créancier hypothécaire*) (a) a priority right over all other creditors for the payment of the secured debt out of the proceeds of the sale of the property, and (b) a priority right to any moneys which would be paid to the owner of the property as a consequence of the loss or the reduction in value of the property (for example, the proceeds of insurance policies for destruction or loss of the property). A mortgage over real property will typically include all fixtures and fittings on the property.

The mortgage will need to be notarised and registered in the records of the competent local *bureau de conservation hypothécaire* (the Belgian Mortgage Registry). Every mortgage needs to be expressly capped at a fixed sum. By operation of law (i.e. without including any amount in the cap of the mortgage) the mortgage will secure three years' worth of interest accruing on the secured liabilities at an interest rate agreed by the parties.

The costs and taxes involved in creating a valid mortgage include a one per cent. registration duty which is calculated on the total amount of loan principal and ancillary costs, such as commission fees, possible enforcement costs etc., (but not the interest) which are secured by the mortgage. The inscription in the Mortgage Registry also triggers a mortgage duty of 0.3 per cent. on the secured amount, fees for the Mortgage Registrar, fees for the notary public and some nominal stamp duties and administrative expenses.

Mortgage mandate

A mortgage mandate (*mandat hypothécaire*) is a contract whereby the debtor gives an irrevocable mandate to a third party to establish a mortgage on behalf of the debtor, on a specified property of the debtor and for a specified debt for the benefit of the lender.

The use of a mortgage mandate to perfect an effective mortgage over the properties described therein may be subject to the following restrictions:

(a) such use would not be possible with effect from the date of the declaration of bankruptcy of the debtor;

(b) the effectiveness of the mortgage created pursuant to the mandate may be challenged if the creation occurred during the suspect period (*période suspecte*) prior to bankruptcy of the debtor;

(c) it is not certain what the effects would be of a judicial composition of the company on the mortgage mandate; the view has been expressed by authoritative legal writers that (except in the case where the court restricts the powers of the company's management) the mortgage could still be created and registered, but that such mortgage would not be enforceable (*opposable*) against other creditors during the judicial composition (*concordat judiciaire*) nor in cases where the judicial composition is immediately followed by a bankruptcy of the debtor;

(d) the mortgage mandate would not permit a mortgage to be perfected if the relevant property has previously been transferred or sold by the debtor;

(e) the mortgage created pursuant to a mortgage mandate after the date on which a third party creditor of the company has effected an attachment of the property, will not be enforceable (*opposable*) against the creditor which has effected the attachment;

(f) the mortgage created pursuant to a mortgage mandate will be subject to any prior, perfected disposals or encumbrances in respect of the property; in this respect it should also be noted that a notary will, before passing the notarial deed at the request of the holder of the mortgage mandate, need to notify the tax administration, thus allowing that tax administration to acquire a higher ranking priority for tax debts of the mortgagor then existing; and

(g) the use of the mortgage mandate may also be prejudiced by the dissolution or any solvent corporate restructuring of the mortgagor.

The mortgage mandate generally allows the creditor complete discretion as to when the mortgage can be registered. The mandate deed needs to specify the property, the secured liabilities and the capped amount to be secured. The mortgage mandate itself needs to be notarised. The granting and execution of a mortgage mandate only triggers a notional registration duty. The creation of an effective mortgage on the basis of such a mandate will however trigger the same costs and taxes described above for a mortgage.

Share pledge

Subject to any restrictive provisions in the articles of association, a security interest can be created over the shares in a Belgian *société privée à responsabilité limitée*. Creation of the pledge requires a written private pledge agreement and, in the case of registered shares, the registration of the pledge in the shareholders register or, in the case of bearer shares, the delivery of the shares to the pledgee or its nominee.

As a general matter, the pledgee will not be able to prevent the shares from being sold, but such sale would in principle always be subject to the pledge. However, with respect to the Belgian Issuer and the Belgian Property Owning Companies, the Belgian Security Agent is, in its capacity as shareholder, entitled – pursuant to the applicable articles of association – to oppose the sale of shares to parties other than (a) the other shareholder(s), (b) its affiliates or (c) the Belgian Bondholders, since this sale requires the approval of all shareholders. In case such sale is made as part of an official enforcement by creditors (attachment) or by a bankruptcy receiver of the pledgor, the pledge will be released following the consent by all shareholders and against payment of the pledgee's share of the proceeds.

Only the legal owner of the shares has the voting rights attaching to the shares. A pledgee could only itself exercise voting rights on the basis of an irrevocable power of attorney given by the pledgor. However, there is no certainty that such mandate would always be effective and, moreover, the pledgor could – notwithstanding the mandate – still itself exercise the voting rights. In practice, share pledge agreements usually provide that the pledgor shall exercise its voting rights as long as no event of default has occurred and that thereafter either the pledgee will vote on the basis of a power of attorney or the pledgor will vote in accordance with the instructions of the pledgee. In addition the pledgor will undertake not to support any resolutions which would adversely affect the pledge, and to inform the pledgee timely of upcoming general meetings of shareholders.

Accounts Pledge/Receivables Pledge

Pursuant to Article 2075 of the Belgian *Code Civil*, a pledge of receivables will be legally valid, binding and enforceable between the parties and *vis-à-vis* third parties (except for the debtors) as soon as the pledge agreement is entered into. In other words, no formalities are required (such as notification of the debtor by a bailiff or acknowledgement by the debtor in a notarised deed) for the pledge to be valid and enforceable between the parties and *vis-à-vis* third parties (except for the debtors). Except for the notification requirement *vis-à-vis* the debtors, there are two exceptions to the perfection of a pledge as long as no notification to third parties is effected. As long as no notice of the receivables pledge is given to the debtor of the pledged receivables, such receivables pledge will be subject to the following limitations:

(a) the debtor may validly discharge its obligations under the relevant receivable by payment to the relevant pledgor;

(b) the debtor may invoke any defence of set-off that it has against the pledgor;

(c) if the relevant pledgor on or after the execution of the pledge agreement assigns, pledges or otherwise encumbers the same rights to an assignee or pledgee, which assignee or pledgee, in good faith gives notice of such assignment, pledge or encumbrance to the relevant debtor before notice of the initial

pledge agreement has been given, then the rights of the other assignee or pledgee and the rights of the creditors of such assignee or pledgee will rank prior to those of the initial pledgee;

(d) the pledge will not be effective as against a third party creditor of the relevant pledgor (such as, typically, a creditor who has proceeded with an attachment on the relevant receivable) who has in good faith received from the relevant debtor, also acting in good faith, payment of the latter's obligations under any relevant receivable.

The Rental Income

In the case of a pledge of rental receivables:

(a) such pledge would be held to be ineffective as against the creditors of the pledgor who obtained an effective mortgage, immovable lien or other encumbrance over the property that guarantees the rental receivables prior to the date of the pledge agreement;

(b) in case of an insolvency event (i.e. a bankruptcy, judicial composition, solvent winding-up or an attachment) in respect of the pledgor, the issue may be raised, in connection with rental receivables, whether or not the rental payments which fall due after the date of such insolvency event would constitute future receivables or existing receivables. If such rental payments were characterised as future receivables, there would be a risk that, in line with the comments published on the decision of the Court of Appeals of Ghent of 5th November, 1993, the courts could decide that the pledge would not be enforceable (*non-opposable*) against the creditors of the pledgor. Furthermore, such analysis could be influenced by case law in France and The Netherlands, which limits the effectiveness of assignments of future receivables in a similar way and where case law to date seems to characterise rental receivables falling due after bankruptcy as future receivables; and

(c) it is not entirely certain whether the pledge could be effectively created to include all receivables under future leases.

Insurance receivables

In the case of a pledge over insurance receivables, pursuant to article 10 of the Belgian Mortgage Act and article 58 of the law of 25th June, 1992 on insurance contracts, the proceeds of insurance policies which are due because of the destruction or decrease in value of the insured property, shall be paid over to the creditors with a registered mortgage or a registered statutory lien in respect of such property, unless the proceeds are used to rebuild or restore the property.

Bank account receivables

The general rules for pledging receivables also apply to pledges over bank accounts. The effectiveness of a pledge over a bank account will, however, be dependent on the balance of the account at the time of enforcement. The account will generally be frozen by operation of law upon insolvency of the pledgor or upon the attachment of the account by the pledgeholder.

Guarantee

The guarantee issued by the Belgian Property Owning Companies is a 'suretyship' (*cautionnement*) whereby the guarantor undertakes to be liable for the obligations of the principal debtor. The Belgian Property Owning Companies have agreed that their liability is joint and several (*solidaire et indivisible*), which means that they cannot require the beneficiary to enforce first against the assets of the Belgian Issuer, nor that the beneficiary only recover part of the debt of each guarantor.

Enforcement of Security

Under Belgian law an enforcement of a security interest will require a default in respect of the secured liabilities. When certain conditions are met and save some legal exceptions, the court may grant the debtor in default a delay in payment either through the deferral of the ability to claim on the debt until a future fixed date, or through granting the debtor the right to pay its debt by periodic partial payments.

Under Belgian law a security interest provides the secured creditor only with a right to have the collateral sold and to be paid in priority out of the proceeds thereof. None of the above security interests allow the secured creditor to acquire title and control over the assets upon enforcement. There is, however, no general rule which

would prevent the secured creditor from seeking to acquire the relevant assets in the enforcement process (by offering to purchase them). This is, however, subject to the rules of the enforcement process as set out below.

With regard to the enforcement by legal proceedings of any claim for payment of a sum of money or the recognition of a foreign judgement in Belgium, a registration duty (amounting to three per cent.) is in principle due, if the sum of money which a debtor is ordered to pay by a judgement rendered or rendered enforceable by a Belgian court exceeds ε12,500. However, an exemption from such proportional duty will be available in respect of judgements rendered by courts of countries which are bound the EC Council Regulation No. 44/2001 of 22nd December, 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters.

Enforcement of a mortgage

A mortgage over real estate is enforced by a sale of the secured property. In order to enforce the mortgage, the mortgagee will need its claim to be confirmed by a court or to be set out in sufficient detail in a notarised deed signed by the mortgagor (the latter will generally only be acceptable in the case of fairly simple mortgage loans). The mortgagee will also need to arrange for a public auction of the property to take place, which requires prior notice to each registered creditor, a separate court order, the appointment of a notary (who will organise and effect the sale) and the registration of an attachment order at the mortgage registry.

The costs of enforcement will be borne by the borrower or owner of the property.

Any transfer of an immovable property is subject (a) either to VAT (for new buildings) or (b) to registration duty. The chances that the relevant building would be considered "new" for VAT purposes so that VAT (current rate of 21 per cent.) would be payable on the transfer are minimal. Assuming the Belgian Properties are not new buildings for VAT purposes, enforcing a mortgage via a public auction will trigger the proportional registration duty on transfers of real property, being 12.5 per cent. in the Brussels and Walloon Region and 10 per cent. in the Flemish Region, to be calculated on the sales price, which may not be lower than the market value (*valeur vénale*). The registration duties would normally be payable by the purchaser of the property, but technically speaking both the vendor and the purchaser are jointly liable for the payment of the duties. In addition, there will be proportional fees (administrative expenses) for the notary public and notional fees for the Mortgage Registrar in respect of the sale.

Enforcement of a share pledge

A pledge over commercial shares is enforced by a sale of the shares. The pledgee may, after the occurrence of an event of default by the debtor and after having served formal notice to the debtor by way of a bailiff, file a request to the President of the Commercial Court to obtain the authorisation to execute the pledge by way of either a public auction or private sale at the President's discretion. The request shall be notified (by bailiff) to the debtor who will then have two days to submit his written observations.

The law provides that the decision of the president is enforceable despite any objection and that the debtor has a strict time limit of three days from the moment of the notification of the President's decision to file an objection before the Court of Commerce. The procedure before the Court will no longer be a unilateral procedure and both parties will be allowed to present their full argumentation. However, like the President, the Court's capacity is limited to verifying its authority, the regularity of the pledge and the commercial nature of it. The decision of the court may be appealed within a maximum period of 8 days from the notification of the decision. However, this decision will be enforceable despite any appeal.

Enforcement of a receivables pledge/accounts pledge

In principle the same rules apply as for any pledge, i.e. a prior court order needs to be obtained in order to sell the pledged assets. In practice, however, a pledge over bank accounts and receivables is often enforced by applying the balance of the bank account against the secured debt and by collecting the receivables and applying the proceeds against the secured debt. No material transfer fees are payable on enforcement. If the receivables will not fall due for some time, the pledgee can seek to sell the receivables by public auction or private sale.

Enforcement of a guarantee

Under a joint and several guarantee, the creditor can demand payment from the guarantor as soon as the debtor of the guaranteed liabilities has defaulted under such liabilities. If the guarantor does not fulfil its obligations under the guarantee, the creditor can enforce its rights in court.

Judicial Composition

General description

Pursuant to the law on judicial composition (*Loi relative au concordat judiciaire*), a judicial composition can be filed for if the following conditions are met:

(a) the debtor is temporarily unable to pay its debts as they fall due or the continuity of the company is threatened so that it might give rise to a suspension of payments in the short term;

(b) the financial situation of the company can be cured and there is a real expectation of recovery; and

(c) there is no apparent bad faith on the part of the debtor.

A judicial composition starts with a request of the debtor or of the Public Prosecutor's office. The court decides on whether or not to grant a judicial composition request within 15 days after the introduction of the request. A preliminary suspension of payment is granted for a maximum period of 6 months (the *Preliminary Suspension Period*). The court will grant such suspension if the debtor has not acted in bad faith and if the court is of the opinion that such suspension would contribute to the recovery of the business. The court may extend the suspension for another 3 months upon the request of the "commissioner", the Public Prosecutor's office, or at the discretion of the court itself.

After the creditors have submitted their claims for unpaid debts to the court, the court may grant a definitive suspension of payment for a term up to 24 months, which may be prolonged for another 12 months (the *Definitive Suspension Period*). Such definitive suspension is based on a recovery plan which will set out when and to what extent the suspended debts will be paid as well as other measures agreed to allow the company to recover (the *Recovery Plan*). In addition to a suspension the plan may include mandatory rescheduling and even a mandatory reduction of debts. The Recovery Plan must be approved by a majority of creditors and by the court.

The court will appoint a commissioner (*commissaire au sursis*) whose task it is to assist and supervise the debtor's actions in the course of the judicial composition.

Automatic termination

Any provisions of an agreement which provide that the contract is terminated or dissolved as the mere consequence of the company applying for a judicial composition or becoming the subject of a judicial composition procedure will be ineffective.

Impact of the moratorium

Following a request for a judicial composition (*gerechtelijk akkoord*), no enforcement against movable or immovable property of the debtor can be effected prior to the court's ruling on the request in accordance with the Law on Judicial Composition.

During the Preliminary Suspension Period no enforcement against movable or immovable property of the debtor can be effected, provided that during such period the relevant creditors receive payment of interest and charges that fall due as from the date of ruling on the preliminary suspension.

If, following the preliminary suspension, a Recovery Plan is approved by the creditors and the court, such plan and a final suspension of payments and enforcement rights will apply for a maximum period of 24 months, which period could be extended for a further 12 months. Approval by the court of the final suspension requires:

(a) that the Recovery Plan is approved by more than 50 per cent. of creditors who have filed a claim and have participated in the vote, provided these creditors also represent more than 50 per cent. of the claims made against the debtor; and

(b) the debtor provides sufficient comfort as to a proper management going forward.

In respect of creditors who benefit from a pledge or a mortgage (and who have not voluntarily agreed to the Recovery Plan), the Recovery Plan and final suspension will not be binding unless the court decides otherwise, which is only allowed if the following conditions are met:

(a) the Recovery Plan provides for payments of interest to the secured creditors; and

(b) the suspension of payments is limited to no more than 18 months; and

(c) the Recovery Plan does not otherwise change their current or future position.

None of these moratorium rules prevents the pledgee of rent from notifying the tenants of the pledge created after the date that the pledgor would enter into bankruptcy or judicial corporation proceedings.

If the secured party is not kept current for interest and costs during these periods, it can seek to enforce its security. This must be with the consent of the court if a definitive suspension has been ordered.

Transfer of (part of) the business during the moratorium

During a judicial composition of a company, the debtor may decide to sell part or all of its business and assets.

Unless the court order granting the Judicial Composition has restricted such right, the company can freely sell properties as part of its normal business activity. The sale could be part of an approved Recovery Plan.

Furthermore, article 41 of the Law on Judicial Composition provides that the court appointed commissioner can sell all or part of the debtor's business with the approval of the court without an approved Recovery Plan. The commissioner will need to (a) publicise the proposed sale so that any interested parties can make a bid, (b) investigate the bids made in view of their impact on the survival of the debtor and the debtor's ability to (re)pay its creditors. He must take into account the lawful interests of the creditors. If only part of the business is sold, the creditors do not need to consent. If all of the business is sold the approval of the creditors will be required (i.e. an approval by more than 50 per cent. of creditors who have filed a claim and have participated in the vote, provided these creditors also represent more than 50 per cent. of the claims made against the debtor).

The law on judicial composition does not deal with the consequences of any such sales for creditors with security over the sold assets. There are not many reported cases which are of relevance. One may expect that sales effected by the management of the debtor without the prior consent of a mortgagee would not legally prejudice the normal rights of the mortgagee and that the debtor would remain bound by the previously agreed covenants and undertakings. In case of a sale pursuant to article 41 there is the risk, however, that a court would take the view that such procedure would release the mortgage, leaving the mortgagee to exercise its security interest only on the proceeds of such sale.

Bankruptcy

General description

A bankruptcy procedure may be initiated by the debtor, unpaid creditors or upon the initiative of the Public Prosecutor's office. Once the court decides that the requirements for bankruptcy are present (i.e. sustained cessation of payments and a loss of further credit), the court will establish a date before which all claims of unpaid debts by the creditors must be entered (within 30 days after the bankruptcy judgement) and will be verified (within 30 days after the due date for introduction of claims by the creditors).

The debtor loses all authority and decision rights concerning the management of the assets of the bankrupt business. The bankruptcy receiver (*curateur*) will take over the running of the business and will see to the sale of the assets, the distribution of the proceeds thereof to the creditors and the liquidation of the debtor. The input of creditors is limited, to the extent that they are informed of the course of the bankruptcy proceedings on a regular basis by the liquidator, they may oppose to the sale of assets by bringing an action before court, or they may request the temporary continuation of the business.

A necessary condition for a bankruptcy order (*déclaration de faillitte*) is that the company must be in a situation of cessation of payments (*sursis de paiements*). Cessation of payments is generally accepted to mean that the debtor is not able to pay its main debts. Such situation must be persistent and not merely temporary. In principle, the cessation of payments is deemed to have occurred as from the date of the bankruptcy order. The court issuing the bankruptcy order may determine that the cessation of payments occurred on an earlier date if there are serious and objective indications that such was the case. Such earlier date may not be earlier than six months before the date of the bankruptcy order, save in the case where the bankruptcy order relates to a company that was dissolved more than six months before the date of the bankruptcy order in circumstances suggesting an intent to defraud its creditors, in which case the date of cessation of payments may be determined

as being the date of such decision to dissolve the company. The period as from the date of cessation of payments up to the declaration of bankruptcy is referred to as the suspect period (*période suspecte*).

The fees payable to the bankruptcy receiver (appointed by the court) are paid from the proceeds of the assets in the bankrupt company. It should be assumed that each secured creditor will be required to contribute to these costs to the extent that the bankruptcy receiver can establish that his involvement has been beneficial for the relevant secured creditor.

The bankruptcy receiver may decide not to perform the obligations of the bankrupt party which are still to be performed after the bankruptcy under any agreement validly entered into by the bankrupt party prior to the bankruptcy. The counterparty to that agreement (a) may enter a claim for damages in the bankruptcy and such claim will rank *pari passu* with claims of all other unsecured creditors and/or (b) seek a court order to have the relevant contract dissolved. It will, however, no longer be possible to seek injunctive relief or to require specific performance.

In the case of bankruptcy, any power of attorney or mandate expressed to be irrevocable will lapse upon the bankruptcy of the principal. Further such power of attorney may not be effective in circumstances where the agent would want to act as the counterparty of the principal.

Impact of the bankruptcy

The bankruptcy judgement means that enforcement rights of individual creditors will be suspended since only the bankruptcy trustee will from then on be able to proceed against the debtor and to liquidate its assets.

However, for creditors secured over movable assets such suspension would normally be limited to the period required for the verification of the claims, but may at the request of the bankruptcy receiver be extended up to one year as from the bankruptcy judgement. Such extension will require a specific order of the court which can only be made if the further suspension will allow for a realisation of the assets without prejudicing the secured creditors and provided those secured creditors have been given the opportunity to be heard by the court.

For immovable assets, in principle only the bankruptcy receiver can pursue the sale of the assets. The receiver will do so upon an order of the court, given either at its request or at the request of a mortgagee. However, the first ranking mortgagee will nevertheless be entitled to pursue the enforcement of its mortgage as soon as the report of claims has been finalised, unless the court suspends such enforcement for a period of not more than one year as from the date of the bankruptcy if the further suspension will allow for a realisation of the assets without prejudicing the mortgagee and provided the mortgagee has been given the opportunity to be heard by the court.

Accrual of interest

As from the date of the bankruptcy judgement no further interest accrues against the bankrupt debtor on its unsecured debt.

Preferred creditors

As a general rule, any security interest will rank behind prior existing security interests provided that, as the case may be, appropriate perfection requirements (e.g. registration or filing) have been completed.

If a company that has obtained or has become subject to a judicial composition is declared bankrupt during the judicial composition, then new debts duly incurred by the company during the judicial composition may be treated as debts incurred by the liquidator, and will therefore rank in priority to the debts incurred prior to the judicial composition. Although it has been argued that these new debts should also take priority over previous debts which are secured by a mortgage or a pledge, reported case law to date and the most authoritative legal writers seem to take the view that such is only the case where the new creditors can provide proof that the incurrence of the new debt specifically benefited to the secured creditor.

Under the bankruptcy law, debts duly incurred by the liquidator after the date of the bankruptcy order could rank ahead of a mortgagee or a pledgee to the extent that such creditors could establish that the incurrence of such debt had specifically benefited the mortgagee or pledgee.

Certain statutorily preferred creditors may, depending on the circumstances, rank ahead of a first ranking mortgage or first ranking pledge. Such creditors include:

(a) creditors for legal costs incurred in the interest of all creditors;

(b) claims for costs made by a third party or the liquidator for the maintenance, enforcement or recovery of the relevant asset;

(c) claims for overdue insurance premiums payable in respect of an insurance covering the relevant asset, up to a maximum amount of two annual premiums;

(d) in respect of the business equipment owned by the company, any unpaid creditor of business equipment which has filed a copy of the sales invoice with the secretariat of the competent commercial court within 15 days of the delivery.

As to the statutory liens of the tax and social security authorities, these will normally rank behind the mortgage and pledge, unless such mortgage would be registered only after the tax authorities have perfected their mortgage (for example, on the basis of a mortgage mandate deed).

Other insolvency events

Belgian courts have established that in certain events other than bankruptcy or judicial composition, certain insolvency rules should also be applied. In relation to commercial companies, the relevant events are (a) the attachment of assets by various creditors (*saisie*) and (b) the winding-up (*dissolution et liquidation*) of the company. In these events certain insolvency rules will apply.

Obligations and Liabilities of Commercial Property Landlords

The Leases to the Belgian Occupational Tenants are mainly leases (*baux*) to tenants who do not use the leased premises for direct contact with the public.

Under Belgian law, the leasing of commercial property that is not used for direct contact with the public is regulated by the general terms set out in articles 1708 to 1762bis of the Belgian Code Civil (and thus not the specific regime applicable to commercial leases set out in the law of 30th April, 1956, as amended).

The Belgian *Code Civil* wholly or partially governs the duration, renewal, and termination of the lease, rent review, use of the premises, sub-letting, assignment, maintenance and repair of the leased premises. These rules are in general not of a mandatory nature and parties are thus free to contractually deviate therefrom.

Character of the lessee's rights

A leasehold interest is a personal right (*droit personnel*) and not a right in rem (*droit réel*). On the other hand, Belgian law rejects the rule that a sale brings an end to the lease. Article 1743 of the Belgian *Code Civil* protects the lessee whose lease has an authentic date (*date certaine*) against expulsion by the lessor's assignees (for example, the person who bought the building); and article 1575 of the Judicial Code (*Code judiciaire*) gives him similar protection against the lessor's creditors. Consequently, the lessee is not placed in the position of an ordinary unsecured creditor, as he would be if his rights were strictly personal.

Duration

A lease ceases automatically at the time of expiration of the fixed term, without the need to give notice (article 1737). Nine years is the common duration of a commercial lease in Belgium, the lessee having a three yearly right to terminate the lease. The lessee may, however, waive its three yearly right to terminate the lease. The maximum duration is 99 years.

Agreements concluded for an indefinite period of time without specifying the possibilities for parties to terminate can be terminated by each party with a reasonable period of notice without being considered abrupt, unforeseeable or untimely. If parties do not settle themselves, termination (other than by expiry of the fixed duration of the contract) will always have to be resolved by the justice of peace (*juge de paix*).

If at the expiration of a written fixed term lease the lessee stays and is left in possession of the leased premise, such lease will be considered to be extended under the same conditions for an indefinite term.

Obligations of the Lessor

The lessor is obliged by operation of law to (a) deliver the leased property to the lessee; (b) maintain the property in such condition that it can be used for the purposes provided in the lease agreement; and (c) provide quiet enjoyment of the property to the lessee for the duration of the lease agreement.

Obligations of the Lessee

The lessee is obliged by operation of law to: (a) use the property as a *bonus pater familias* (a phrase roughly translated as meaning a "good businessman") and in accordance with the purpose leased for as provided in the lease agreement or presumed in accordance with the actual circumstances; (b) pay the consideration of the lease on the agreed terms; and (c) return the property at the end of the lease agreement.

Allocation of the charges, insurance premiums and taxes

In the absence of specific contractual provisions provided for under the lease agreement, the allocation of the charges is governed by the general rules (*droit commun*). The charges relating to the ownership of the property are borne by the lessor (in particular land and local taxes, withholding taxes (*précompte immobilier*), insurance premiums of the building, management fees, etc.) as opposed to the rental charges traditionally borne by the lessee (for example, building supplies, rental taxes (*taxes locatives*), common maintenance costs).

Rental deposit /guarantee

It is usual for the lessor to require the lessee to pay a rental guarantee deposit which often corresponds to three months' rent (excluding charges and VAT). Like the rent, such rental guarantee deposit is usually indexed on an annual basis upon the variation of the national cost of construction index. However, it is also common to obtain a bank guarantee rather than a cash deposit.

Sub-letting and assigning of the lease agreement

Unless stipulated to the contrary in the lease agreement, any sub-letting or assignment in whole or part is permitted. However, the lessee who does not use the leased premises as his principal residence (such as for the Belgian Property Owning Companies) cannot sublet it, in whole or in part, to a subtenant who would use it himself as his principal residence.

Remedies

Under Belgian law, if provisions providing for certain amounts that may be claimed by way of damages or indemnity in case of a default are held to constitute a penalty and not a reasonable estimate of the potential loss caused by the default, then the amounts agreed may be reduced by the court down to the actual loss.

Allocation of charges between the parties

Under the Belgian *Code civil*, (a) the tenant is liable for and bears the cost of rental repairs, i.e. maintenance repairs except for those due to wear and tear or *force majeure*, and (b) the lessor is liable for and bears the costs of all other repairs, in particular structural repairs. However, such provisions only apply if the parties have not provided otherwise in the lease agreement. The lease agreement may provide that the rent shall be net of all charges for the lessor: this means that the lessee shall, in this case, bear the cost of all repairs including structural repairs.

Works

Unless otherwise provided, the lessee is deemed to bear the cost of all repairs with the exception of large-scale structural repairs (*grosses réparations*) as referred to under article 1720 of the Belgian *Code Civil* (for example, walls pertaining to the structure of the property, restoration of the roof structure and of the entire roofing).

Structural repairs can either be shared by the parties, the lessee being responsible for the ordinary maintenance works and the lessor for the large-scale works. Alternatively, the lease agreement can provide that the lessee shall bear the cost of all the structural repairs, whether ordinary or large-scale.

Registration of lease agreements and their transfer

The registration of lease agreements is mandatory pursuant to Art. 19,3° of the Code of Registration Duties. Non-registration may lead to a fine but will not affect the validity of the agreement among parties. The agreements must be registered within four months of their execution. The normal registration duties are:

(a) for contracts with a definite duration: 0.2 per cent. of the rent plus charges over the duration of the rent;

(b) for contract with an indefinite duration: 0.2 per cent. of the yearly rent plus charges multiplied by 10; and

(c) for the assignment of a lease agreement: 0.2 per cent. of the rent plus charges over the remaining duration of the rent for agreements with a definite duration and 0.2 per cent. of the yearly rent plus charges multiplied by 10 for agreements with indefinite duration, to be increased as the case may be with other payments or remuneration made to the original lessee (transferee).

For each agreement or transfer to be registered fiscal stamps of minimum ε5 per document have to be paid.

A notarial deed is required for all lease agreements exceeding nine years. The notary's costs (fees/costs of consultation and filing with land registry/fiscal stamps) amount to approximately ε1,000 per agreement (again depending on the duration of the agreement).

Commercial leases

Certain of the lease agreements are with Belgian Occupational Tenants who use the leased premises for the exercise of a retail business in direct contact with the public. These types of "retail leases" are regulated in a specific regime applicable to commercial leases set out in the law of 30th April, 1956, as amended. These rules are in general of a mandatory nature.

Duration

The duration of a retail lease agreement may not be less than nine years. This provision also applies to subtenancies, but they may not be concluded for a period exceeding the duration of the principal lease. However, the lessee may terminate a current lease agreement at the expiry of each three year period by giving a six months prior notice, served by a bailiff or by registered mail. Parties may also terminate the lease agreement at any time, provided that their mutual agreement is fixed in an authentic deed or in a declaration made before a judge. The lessor may terminate the lease agreement at the end of each three year period by giving a year's prior notice, served by a bailiff or by registered mail, in case he will actually himself carry on a retail business in the property or he will let the property to be used for a retail business by his descendants, adopted children or ascendants, his or her spouse, such spouse's descendants, ascendants or adopted children, or by an association of persons whose active associates or associates possessing at least three-fourths of the capital stand in the same relation to the lessor as aforementioned.

Right of renewal of the lease agreement

At the expiry of a retail lease agreement, the lessee has the right obtain, in preference to any other person, the renewal of its lease in order to continue his retail business for new a period of nine years, unless otherwise agreed upon in an authentic deed or in a declaration made before a judge. This right is limited to three renewals.

In order to obtain the renewal, the lessee must, under the penalty of forfeiture, notify the lessor by a notice served by a bailiff or by registered mail, not earlier than eighteen months and not later than fifteen months prior to the expiry of the current lease agreement. This notification must indicate, under the penalty of nullity, the terms and conditions under which the lessee is prepared to renew its lease agreement and must specify that the lessor will be deemed to agree with this renewal under the proposed conditions if, within three months, no notification is given by the lessor, by the same means, of its motivated refusal or of different terms and conditions or of a third party offer.

Ground for refusal of the renewal

The lessor may refuse the renewal of the lease agreement for one of the following reasons:

(a) he intends to occupy the property himself or is willing to have it occupied by his descendants, adopted children or ascendants, his or her spouse, such spouse's descendants, ascendants or adopted children, or by an association of persons whose active associates or associates possessing at least three-fourths of the capital stand in the same relation to the lessor as aforementioned;

(b) he intends to use the property for a purpose which excludes any commercial undertaking;

(c) he intends to rebuild the property or part of the property in which the lessee carries on his retail business. Considered as rebuilding is any transformation preceded by a demolition, both affecting the structural aspects of the premises and giving rise to costs exceeding three years of rent payments;

(d) any serious breach by the lessee of his obligations under the current lease agreement, including the depreciation of the building caused by acts of the lessee, his relatives or his assigns, and substantial changes in the nature and the manner of carrying on the retail business, as well any as illicit act of the lessee which renders impossible the continuation of the contractual relationship between the lessee and the lessor; and

(e) the offer by a third party of higher rent payments, if the lessee does not make an equal offer.

If the lessor refuses the renewal, in general an indemnity will have to be paid as provided in the law, varying between one, two or three years of rent, in some cases even higher in order to compensate for the entire damage incurred by the lessee.

Sub-letting and assignment of the lease

A provision in a retail lease agreement which prohibits the assignment of the lease agreement or the sub-letting of the property will not be an obstacle for an assignment of the lease agreement or a sub-letting of the property made together with an assignment or a leasing of the retail business and including the whole of rights of the principal tenant.

Transfer of the leased property

Even when the lease agreement provides for an expulsion of the lessee in case of disposal of the property, the transferee who obtains the property, for free or for consideration, may only expel the lessee on the grounds referred to under (a), (b), (c) and (d) above (grounds for the refusal of the renewal) and by giving one year's notice within three months of the acquisition, stating clearly the grounds for the termination of the lease agreement, and this on the penalty of forfeiture. The same rule is applicable on lease agreements not having a *date certaine* prior to the transfer, in case the lessee has occupied the property for at least six months.

Capitalisation of Interest and Usury Rate of Interest

Provisions providing for interest to accrue on overdue interest may be held to be unenforceable unless all conditions set out in Article 1154 of the Belgian *Code Civil* are met. Article 1154 provides that interest may only accrue on overdue interest to the extent that such interest has been overdue for at least one calendar year and provided the debtor is put on notice by a judicial summons or specifically agrees at the relevant time to such interest being due.

SERVICING

Introduction

The servicing of the Issuer Assets involves, in the case of the French Loans and the Irish Loans, two separate components. First, a servicer will be appointed on the Closing Date by each of the French Issuer and the Irish Issuer, being the French Issuer Servicer and the Irish Issuer Servicer, respectively, and collectively, the "**Originated Asset Servicers**" or, individually, an "**Originated Asset Servicer**". Each Originated Asset Servicer will be responsible for servicing the Originated Asset or Originated Assets located in its Relevant Jurisdiction and for conducting all communications with the relevant Borrowers. If security is required to be enforced in respect of an Originated Asset in Ireland, the Irish Issuer Servicer will co-operate with the Irish Loan Security Trustee (which is, in fact, also MSMS) and if security is required to be enforced in respect of an Originated Asset in France, the French Issuer Servicer (or, as described below, the French Issuer Sub-Servicer) will co-operate with the French Issuer Management Company.

Secondly, the Issuer and the Issuer Security Trustee will appoint, on the Closing Date, a collateral manager (the "**Collateral Manager**") pursuant to the Collateral Management Agreement. The Collateral Manager's duties will relate to the servicing and enforcement of the Issuer Assets. In the case of all Issuer Assets other than the Belgian Bonds, the Collateral Manager will perform its duties by, among other things, providing directions to and seeking information from the Originated Asset Servicers. The Belgian Bonds, in which the Issuer has direct rights, are also one of the Originated Assets, and the duties and obligations of the Collateral Manager in relation to these Originated Assets will be more akin to the duties and obligations of an Originated Asset Servicer although the Collateral Manager will also be required to direct the Belgian Security Agent in relation to certain matters, including the enforcement of the Belgian Bonds and the security therefor. Pursuant to the Collateral Management Agreement, the Issuer will also appoint the Special Collateral Manager to direct the Originated Asset Servicers and the Belgian Security Agent in place of the Collateral Manager in certain circumstances which are more fully described under "Issuer Collateral Management – Transfer of Powers to the Special Collateral Manager" at page 199. For further information regarding the basis on which the Collateral Manager and the Special Collateral Manager will issue directions to the Originated Asset Servicers and the Belgian Security Agent, see "Servicing – Direction by Collateral Manager and Special Collateral Manager" below and "Issuer Collateral Management – Direction of Originated Asset Servicers and Exercise of Discretions" at page 200.

The French Issuer will enter into a servicing agreement (the "**French Issuer Servicing Agreement**") with, among others, the French Issuer Servicer, pursuant to which the French Issuer Servicer will be appointed by the French Issuer to provide certain services in relation to the French Loans and the French Related Security and the Collateral Manager and Special Collateral Manager will be appointed by the French Issuer Management Company to supervise the performance of the French Issuer Servicer's duties thereunder, including any duties performed by a sub-delegate of the French Issuer Servicer. The Irish Issuer will enter into a servicing agreement (the "**Irish Issuer Servicing Agreement**") with, among others, the Irish Issuer Servicer, pursuant to which the Irish Issuer Servicer will be appointed by the Irish Issuer to provide certain services in relation to the Irish Loans and the Irish Related Security. The French Issuer Servicing Agreement and the Irish Issuer Servicing Agreement are collectively referred to as "**Servicing Agreements**", and each individually is referred to as a "**Servicing Agreement**".

Standards

In performing their respective obligations under the Servicing Agreements and, in the case of the Belgian Security Agent, performing all its obligations in relation to the Belgian Bonds, each Originated Asset Servicer and the Belgian Security Agent must act in accordance with the following requirements, applying such requirements in the following order of priority should a conflict arise: (a) any and all applicable laws; (b) the provisions of the relevant Loan Agreements and the documents constituting the Related Security; (c) in the case of the French Issuer Servicer, the express instructions of the French Issuer Management Company; (d) the express instructions of the Collateral Manager or, where applicable, the Special Collateral Manager; (e) the express terms of the relevant Servicing Agreement or, in the case of the Belgian Security Agent, the Collateral Management Agreement; and (f) the "**Servicing Standard**", which requires each Originated Asset Servicer and the Belgian Security Agent to act in accordance with the standard it would be reasonable to expect a reasonably prudent lender of money secured on commercial property in the Relevant Jurisdiction to apply in servicing mortgages over commercial property which are owned by it, with a view to the timely collection of all sums due in respect of the relevant Loans and, on the occurrence of a default in respect of the relevant Loans, the maximisation of recoveries available in respect thereof (taking into account the likelihood of recovery of amounts due from the relevant Borrowers, the timing of any such recovery and the costs of recovery), without regard to any fees or other compensation to which such Originated Asset Servicer or the Belgian Security Agent may be entitled, any relationship such Originated Asset Servicer or the Belgian Security Agent may have with a

Borrower or any other party to the transaction, the different payment priorities among the Notes or the ownership of any Note by such Originated Asset Servicer or the Belgian Security Agent or any affiliate thereof.

Direction of Originated Asset Servicers

Although the Originated Asset Servicers are appointed to act on behalf of the French Issuer and the Irish Issuer to exercise their respective powers and discretions in relation to the relevant Loans and Related Security, the Originated Asset Servicers must notify the Collateral Manager or, in the case of a Specially Serviced Loan, the Special Collateral Manager prior to actually exercising any such powers or discretions including, for example, consenting to the variation or waiver of the terms of any "**Loan Documentation**" (comprising the loan agreement and the contractual documentation creating the Related Security). Similarly, the Belgian Security Agent must consult with and follow the instructions of the Collateral Manager or, as the case may be, the Special Collateral Manager prior to exercising any of its discretions in relation to the Belgian Bonds and their Related Security, including any of its rights as a shareholder of the Belgian Issuer or any Belgian Property Owning Company. Following such notification, the relevant Originated Asset Servicer or, in the case of the Belgian Bonds, the Belgian Security Agent may only exercise the relevant discretion in accordance with the instructions of the Collateral Manager or Special Collateral Manager and will be deemed not to be in breach of its obligations if it does not exercise the relevant discretion prior to obtaining the consent of the Collateral Manager or, as the case may be, the Special Collateral Manager or if exercises the discretion in the manner instructed by the Collateral Manager or Special Collateral Manager.

French law requires the French Issuer Management Company to retain responsibility for the management of the French Issuer and its assets. However, under the French Issuer Servicing Agreement, it has appointed the Collateral Manager to act as its agent to supervise and, subject to obtaining the French Issuer Management Company's prior approval, issue instructions to the French Issuer Servicer regarding the performance of the French Issuer Servicer's duties. Should a French Loan become a Specially Serviced Loan, the French Issuer Management Company may appoint the Special Collateral Manager to perform such functions in relation to that Loan in place of the Collateral Manager. In determining whether, when and on what basis to grant or withhold its consent to the issuance to the French Issuer Servicer of instructions by the Collateral Manager or the Special Collateral Manager, the French Issuer Management Company must act in accordance with the best interest of the Issuer as the holder of the French Units. Neither the Collateral Manager nor the Special Collateral Manager shall be liable to the Issuer, the Noteholders or any other person for any losses arising as a result of the French Issuer Management Company in failing to issue its consent in a timely manner, or at all. For further information regarding the role of the French Issuer Management Company, see "The Intermediate Assets – The French Units – The French Issuer Management Company" at page 122.

No Servicing Fee is payable by the French Issuer or the Irish Issuer to an Originated Asset Servicer in respect of a Specially Serviced Loan in relation to which the Special Servicing Fee is payable by the Issuer to the Special Collateral Manager. However, in consideration for an Originated Asset Servicer performing its duties in relation to a Specially Serviced Loan at the direction of the Special Collateral Manager, on each Note Interest Payment Date the Special Collateral Manager will be required to pay to such Originated Asset Servicer a fee equal to 33 per cent. (exclusive of VAT) of the Special Collateral Management Fee paid to it by the Issuer which is attributable to such Specially Serviced Loan. For further details regarding the basis on which such amounts will be paid by the Special Collateral Manager to the Originated Asset Servicers, see "Issuer Collateral Management – Payments to the Collateral Manager and the Special Collateral Manager" at page 201.

Following the service of a Note Enforcement Notice by the Note Trustee or of a notice by the Issuer Security Trustee that it believes the Issuer Security to be in jeopardy or upon being instructed to do so by the Note Trustee, the Issuer Security Trustee shall be entitled to issue instructions and directions directly to the Irish Issuer Servicer and/or the Belgian Security Agent in place of the Collateral Manager or, as the case may be, the Special Collateral Manager. The Issuer Security Trustee may not issue direct instructions to the French Issuer Servicer in such circumstances, although it may make representations to the French Issuer Management Company who will take whatever action it considers to be in the best interests of the Issuer as the holder of the French Units.

Transfer and Allocation of funds

The Servicing Agreements require each Originated Asset Servicer to calculate from time to time the various amounts which are to be transferred from the Rent Accounts in its Relevant Jurisdiction to the French Issuer Transaction Account and the Irish Issuer Transaction Account, as applicable.

The French Issuer Servicer will calculate, in respect of each French Unit Collection Period, the French Borrower Interest Receipts, the French Borrower Principal Receipts and the French Prepayment Fees received during that French Unit Collection Period, and will determine which portions of the French Borrower Principal

Receipts received into the French Issuer Transaction Account during that French Unit Collection Period consist of French Amortisation Funds, French Prepayment Redemption Funds, French Final Redemption Funds and French Principal Recovery Funds. The French Issuer Management Company will determine, from time to time, all French Issuer Priority Payments required to be paid by the French Issuer. Such amounts will be paid by the French Issuer Management Company using funds standing to the credit of the French Issuer Transaction Account. If insufficient funds are available in the French Issuer Transaction Account for such purpose, the French Issuer Servicer shall notify the Collateral Manager thereof, wherepon the Issuer may advance the shortfall to the French Issuer pursuant to the Inter-Company Loan Agreement, as described under "Credit Structure – Liquidity Facility and Inter-Company Loan Agreement" at page 212.

As part of its duties under the French Issuer Regulations, the French Issuer Management Company is required to give instructions to the French Issuer Operating Bank to transfer French Borrower Interest Receipts and French Borrower Principal Receipts from the French Rent Accounts into the French Issuer Transaction Account. Upon being notified by the French Issuer Servicer of the French Borrower Interest Receipts and the French Borrower Principal Receipts, the French Issuer Management Company will instruct such transfers to be made, as required by the French Issuer Regulations, and the French Issuer Management Company will allocate the amounts so transferred towards interest, principal and other amounts due in respect of the relevant French Loan as described above. The French Issuer Custodian will then transfer monies on each French Unit Interest Payment Date from the French Issuer Transaction Account to the Issuer Transaction Account, in respect of principal and interest on the French Units.

The Irish Issuer Servicer will calculate, in respect of each Irish Note Collection Period, the Irish Borrower Interest Receipts, the Irish Borrower Principal Receipts and the Irish Prepayment Fees received during that Irish Note Collection Period, and will determine which portions of the Irish Borrower Principal Receipts received into the Irish Rent Account during that Irish Note Collection Period consist of Irish Amortisation Funds, Irish Prepayment Redemption Funds, Irish Final Redemption Funds and Irish Principal Recovery Funds. The Irish Issuer Servicer will also determine, from time to time, all Irish Issuer Priority Payments required to be paid by the Irish Issuer. Such amounts will be paid by the Irish Issuer Servicer using funds standing to the credit of the Irish Issuer Transaction Account. If insufficient funds are available in the Irish Issuer Transaction Account for such purpose, the Irish Issuer Servicer shall notify the Collateral Manager thereof, wherepon the Issuer may advance the shortfall to the Irish Issuer pursuant to the Inter-Company Loan Agreement, as described under "Credit Structure – Liquidity Facility and Inter-Company Loan Agreement" at page 212.

As part of its duties to provide services under the Irish Servicing Agreement, the Irish Issuer Servicer is required to give instructions to the Irish Loan Security Trustee to transfer payments due in respect of the Irish Loans from the Irish Rent Account into the Irish Issuer Transaction Account. The Irish Issuer Security Trustee will then transfer monies on each Irish Note Interest Payment Date from the Irish Issuer Transaction Account to the Issuer Transaction Account, in respect of principal and interest on the Irish Notes.

Payments made to the Issuer in its capacity as the holder of the French Units, the Irish Notes and the Belgian Bonds will be deposited into the Issuer Transaction Account and will be applied on behalf of the Issuer by the Cash Manager towards, among other things, payments due in respect of the Notes in accordance with the Cash Management Agreement and the Issuer Deed of Charge and Assignment.

All amounts applied towards sums due in respect of a Loan will be allocated firstly towards fees (other than Prepayment Fees), costs and expenses, secondly towards interest, thirdly towards principal, and fourthly towards Prepayment Fees, in each case to the extent that such amounts are due and payable under the applicable Loan Agreement at the relevant time.

Quarterly Arrears Report

Within 10 Business Days after the end of the applicable collection period, each Originated Asset Servicer will deliver a report to the Collateral Manager and to the French Issuer and the French Issuer Management Company (in the case of the report delivered on the French Loans) and to the Irish Issuer (in the case of the report delivered on the Irish Loans). Each such report will notify the addressees of any Loans known by such Originated Asset Servicer to be in arrears or in respect of which the Borrower is known by such Originated Asset Servicer to be in breach of any other term of its Loan Documentation. Such report will include, among other things, the following:

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

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

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

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

(e) details of Loans in respect of which a Borrower is known by the applicable Originated Asset Servicer to be in breach of any term of its Loan Agreement or contractual documents relating to the Related Security; and

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

Arrears and Default Procedures

Each Originated Asset Servicer will be responsible for the supervision and monitoring of payments falling due in respect of all Loans serviced by it. Each Originated Asset Servicer and, in the case of the Belgian Bonds, the Belgian Security Agent, has agreed, in relation to any default in respect of a Loan, to comply with the procedures for enforcement of Loans and Related Security of such Originated Asset Servicer or the Belgian Security Agent which are current at the relevant time (the "**Originated Asset Enforcement Procedures**").

Neither the Originated Asset Servicers nor the Belgian Security Agent may implement any changes to the Originated Asset Enforcement Procedures unless the Collateral Manager and the Special Collateral Manager have agreed to such changes in advance. The Originated Asset Enforcement Procedures will be established and implemented in consultation with the Collateral Manager and the Special Collateral Manager who, pursuant to the Collateral Management Agreement, may direct the Originated Asset Servicers or, in the case of the Belgian Bonds, the Belgian Security Agent as to the timing and manner of enforcement of a Loan and its Related Security. In the event of a conflict between the Originated Asset Enforcement Procedures and the directions of the Collateral Manager or, in relation to Specially Serviced Loans, the Special Collateral Manager, the instructions of the Collateral Manager or, as the case may be, the Special Collateral Manager will prevail.

The Originated Asset Enforcement Procedures implemented in respect of each Relevant Jurisdiction must at all times comply with the laws of that jurisdiction applicable to the enforcement of the relevant Loans and their Related Security. As regards enforcement of the Irish Loans, the most likely method of enforcing the Irish Loans and the Irish Related Security would be to appoint a receiver of the Irish Property and to agree with the receiver the best strategy for preserving the Irish Issuer's rights under the Irish Loans and in respect of the Irish Property, which may, in certain circumstances, result in the receiver managing the Irish Property for a certain time, or seeking to sell the Irish Property. In each of France and Belgium, it is not possible to appoint a receiver in respect of a French or Belgian Property or to exercise a mortgagee's power of sale. Rather, enforcement of the French Related Security and the Belgian Related Security, if sale of the applicable Property is required, will be effected through appropriate court proceedings. For further information regarding the manner of enforcement of security in France, Ireland and Belgium, see "Certain Matters of French Law", "Certain Matters of Irish Law" and "Certain Matters of Belgian Law" at pages 160, 175, and 181, respectively.

The net proceeds realised upon the enforcement of any Related Security (after payment of the costs and expenses of the enforcement) will, together with any amount payable on any related insurance contracts, be applied against the sums owing from the relevant Borrower in the manner and order of priority described under "Servicing – Transfer and Allocation of Funds" at page 193.

Insurance

Each Originated Asset Servicer will establish and maintain procedures to monitor compliance with the terms of the Loans for which it has servicing responsibility regarding the insurance of the relevant Properties.

Upon receipt of notice that any policy of buildings insurance has lapsed or that any Property is otherwise not insured in accordance with the terms of the relevant Loan Agreement, the applicable Originated Asset Servicer must notify the Collateral Manager or, in the case of a Specially Serviced Loan, the Special Collateral Manager thereof. If instructed to do so by the Collateral Manager or, in the case of a Specially Serviced Loan, the Special Collateral Manager, the relevant Originated Asset Servicer must arrange such insurance. To the extent that such costs are not met by the relevant Borrower in advance, the costs of arranging such insurance,

including paying any premiums will be paid by the Originated Asset Servicer on behalf of the French Issuer, the Irish Issuer or the Issuer, as appropriate. The Originated Asset Servicer will be reimbursed by the French Issuer, the Irish Issuer or the Issuer on the French Unit Interest Payment Date (in the case of French Loan), Irish Note Interest Payment Date (in the case of an Irish Loan) or Note Interest Payment Date (in the case of the Belgian Bonds), following the date on which they are incurred. The Loan Agreements require each Borrower to reimburse the French Issuer, the Irish Issuer or the Issuer as applicable, for such costs of insurance and the relevant Originated Asset Servicer or, in the case of the Belgian Bonds, the Collateral Manager or Special Collateral Manager must use all reasonable endeavours to recover such sums from the relevant Borrower.

For further information about insurance arrangements in respect of the Properties, see "The Originated Assets – Insurance" at page 91 and "Risk Factors – Insurance" at page 61.

Delegation by the Originated Asset Servicers

Each Originated Asset Servicer may, in certain circumstances, without the consent of the French Issuer or the Irish Issuer, as applicable, but in all cases with the consent of the Collateral Manager, sub-contract or delegate its obligations under the applicable Servicing Agreement. The Collateral Manager will grant its consent to the delegation by the French Issuer Servicer of its duties under the French Issuer Servicing Agreement to MSMS (in this capacity, the "**French Issuer Sub-Servicer**"). In addition in certain circumstances the Special Collateral Manager may, subject to the relevant Originated Asset Servicer being indemnified to its satisfaction by the Special Collateral Manager, require an Originated Asset Servicer to appoint a sub-contractor to perform its duties in respect of a Specially Serviced Loan. For further information regarding such appointments, see "Issuer Collateral Management – Transfer of Powers to Special Collateral Manager" at page 199. Any sub-contractor or delegate appointed by an Originated Asset Servicer, including MSMS as the sub-delegate of the French Issuer Servicer, must agree to abide by any instructions or directions issued to it by the Collateral Manager or Special Collateral Manager (or, in certain limited circumstances, the Issuer Security Trustee) to the same extent that the relevant Originated Asset Servicer would have been obliged to abide by such instructions and directions, had no such sub-contracting or delegation taken place.

Notwithstanding any sub-contracting or delegation of the performance of any of its obligations under a Servicing Agreement, no Originated Asset Servicer will be released or discharged from any liability thereunder and each Originated Asset Servicer will remain responsible for the performance of its obligations under such Servicing Agreement by any sub-contractor or delegate.

Servicing Fee

Pursuant to the applicable Servicing Agreement, the French Issuer or the Irish Issuer, as the case may be, will pay to the relevant Originated Asset Servicer (or the person then entitled to the Servicing Fee) a fee (the "**Servicing Fee**") in respect of each Loan serviced by that Originated Asset Servicer. The Servicing Fee will be payable by the French Issuer on each French Unit Interest Payment Date and by the Irish Issuer on each Irish Note Interest Payment Date and will, in each case, be paid in respect of each Loan serviced by that Originated Asset Servicer at the rate of 0.07 per cent. per annum (exclusive of any applicable VAT) of the outstanding principal balance of such Loan, calculated (in the case of a French Loan) on the first day of the French Unit Collection Period to which that French Unit Interest Payment Date relates and (in the case of an Irish Loan) on the first day of the Irish Note Collection Period to which that Irish Note Interest Payment Date relates. The Servicing Fee will accrue from day to day and will be calculated on the basis of a 360 day year and the actual number of days elapsed in the collection period related to the payment date on which it is due, disregarding any days on which a Loan was a Specially Serviced Loan. The Servicing Fee, or any part of such Servicing Fee, is assignable by the Originated Asset Servicer, subject to the assignee agreeing to be bound, where relevant, by the terms of any security or other document by which the assets of the French Issuer or the Irish Issuer, as the case may be, are secured. Following any termination of the appointment of an Originated Asset Servicer, the Servicing Fee will be paid to any substitute servicer appointed; provided that the Servicing Fee may be payable at a higher rate agreed in writing by the Issuer Security Trustee (but which does not exceed the rate then commonly charged by providers of loan servicing services secured on commercial properties in the Relevant Jurisdiction) to any substitute servicer.

Both before and after the occurrence of an event of default in respect of the French Units and the Irish Notes, and thereafter, the French Issuer and the Irish Issuer, as the case may be, will pay the Servicing Fee to the relevant Originated Asset Servicer and will reimburse such Originated Asset Servicer for all out-of-pocket costs and expenses incurred by it in the performance of the relevant services. All such amounts will be payable in priority to payments on the French Units and the Irish Notes, as applicable. This order of priority has been agreed with a view to procuring the continuing performance by the Originated Asset Servicer of its duties in relation to assets serviced by it.

No Servicing Fee is payable by the French Issuer or the Irish Issuer to an Originated Asset Servicer in respect of a Specially Serviced Loan in relation to which the Special Servicing Fee is payable by the Issuer. However, in certain circumstances a fee will be payable by the Special Collateral Manager to an Originated Asset Servicer in connection with Specially Serviced Loans which are serviced by that Originated Asset Servicer as described under "Issuer Collateral Management – Payments to the Collateral Manager and the Special Collateral Manager" at page 201.

In consideration for the performance by the Collateral Manager of services in relation to the Belgian Bonds which are analogous to those performed by the Originated Asset Servicers in relation to the French Loans and the Irish Loans, a fee will be paid to the Collateral Manager as described under "Issuer Collateral Management – Payments to the Collateral Manager and Special Collateral Manager as page 201. No servicing fee will be payable by the Issuer to the Belgian Security Agent.

Termination of Appointment of Originated Asset Servicer

The appointment of an Originated Asset Servicer may be terminated following a termination event, by voluntary termination or by automatic termination.

Termination events include, among other things, a default in the payment on the due date of any amount to be paid by the Originated Asset Servicer under the applicable Servicing Agreement or, in certain circumstances, a default in performance of any of its other material covenants or obligations under the applicable Servicing Agreement, or on the occurrence of certain insolvency-related events. Each Originated Asset Servicer may voluntarily terminate its appointment upon not less than three months' prior written notice to, among others, the Collateral Manager and the Special Collateral Manager.

No termination of an Originated Asset Servicer's appointment may take effect unless a qualified substitute servicer has been appointed and agreed to be bound by the relevant Servicing Agreement and other relevant documentation relating to the relevant Originated Asset and the Rating Agencies have confirmed that such termination will not result in the then current ratings of the Notes being downgraded, withdrawn or qualified.

On termination of its appointment, the Irish Issuer Servicer will forthwith deliver to the Collateral Manager or as the Collateral Manager may direct and the French Issuer Servicer will forthwith deliver to the French Issuer Custodian or as the French Issuer Custodian may direct all documents, information, computer-stored data and moneys held by it in relation to its appointment as servicer and will be required to take such further action as the Collateral Manager may reasonably direct to enable the services of the relevant Originated Asset Servicer to be performed by a substitute thereof.

Each Servicing Agreement will terminate automatically at such time as the French Issuer or the Irish Issuer (as applicable) has no further interest in any of the relevant Loans or the Related Security serviced by such Originated Asset Servicer or, if later, upon discharge of all of the liabilities of the French Issuer or the Irish Issuer (as applicable).

General

In addition to the duties described above, each Originated Asset Servicer is required under the applicable Servicing Agreement to perform duties customary for a servicer of mortgage loans such as retaining or arranging for the retention of loan and property deeds and other documents in safe custody and software licensing and sub-licensing.

The Originated Asset Servicers, the Belgian Security Agent, the Collateral Manager and the Special Collateral Manager will not be liable for any obligation of a Borrower under any Loan Documentation, have any liability to any third party for the obligations of the French Issuer or the Irish Issuer, as applicable or have any liability to the Issuer or any other person for any failure by the French Issuer or the Irish Issuer, as applicable to make any payment due by it under the French Units or the Irish Notes or any of the related documents unless such failure results from a failure by an Originated Asset Servicer, the Belgian Security Agent, the Collateral Manager or the Special Collateral Manager to perform its obligations under the relevant Originated Asset Servicing Agreement or, in the case of the Belgian Bonds, the Collateral Management Agreement.

ISSUER COLLATERAL MANAGEMENT

Introduction

Pursuant to an agreement to be entered into on the Closing Date between, among others, the Issuer, the Collateral Manager, the Special Collateral Manager, the Issuer Security Trustee and the Note Trustee (the "**Collateral Management Agreement**"), each of the Issuer and the Issuer Security Trustee will appoint MSMS to act as the Collateral Manager and Special Collateral Manager to perform certain services in relation to the Issuer Assets. Some of these services require discretion to be exercised in their performance and the remainder are administrative in nature. The discretionary services include the exercise of all rights, powers and discretions of the Issuer in its capacity as holder of the French Units, the Irish Notes and the Belgian Bonds. In the case of the French Units and the Irish Notes, this includes directing the Originated Asset Servicers in the performance of their duties, the exercise of their discretions and the enforcement of the Loans and Related Security serviced by them under the Servicing Agreements. In the case of the Belgian Bonds, it includes performing servicing duties analogous to those carried out by the Originated Asset Servicers in relation to the Originated Assets and, on the occurrence of an event of default in respect of the Belgian Bonds, directing the Belgian Security Agent in the enforcement procedures to be applied by it. As a general rule, the discretionary services will be provided by the Collateral Manager, although the Special Collateral Manager will be entitled to issue directions to the relevant Originated Asset Servicer or the Belgian Security Agent in place of the Collateral Manager in relation to any Loan which is a Specially Serviced Loan. For further information regarding the circumstances in which a Loan will become a Specially Serviced Loan, see "Issuer Collateral Management – Transfer of Powers to the Special Collateral Manager" at page 199. For further information regarding the manner in which the Collateral Manager and the Special Collateral Manager will exercise their respective discretions under the Collateral Management Agreement, and restrictions on their ability to do so, see "Issuer Collateral Management - Direction of Originated Asset Servicers and Exercise of Discretions" at page 200.

The administrative services to be provided by the Collateral Manager include monitoring the payments made by the French Issuer, the Irish Issuer and the Belgian Issuer to the Issuer Transaction Account in respect of the French Units, the Irish Notes and the Belgian Bonds, respectively, and issuing quarterly reports to the Issuer, the Note Trustee, the Issuer Security Trustee, the Special Collateral Manager, the Cash Manager and the Rating Agencies on the payments so made, such information reflecting the performance of the Originated Assets. Such quarterly reports will include the information provided by the Originated Asset Servicers in their quarterly reports in relation to the Originated Assets as well as substantially the same information in respect of the Belgian Bonds and will be made available to the Noteholders on request from the Note Trustee. Investor reports, which will include summaries of the quarterly reports prepared by the Collateral Manager, will also be made available to Noteholders and certain other persons on a quarterly basis via Wells Fargo Securitisation Services Limited's internet website currently located at www.ctslink.com; however, such website does not form part of the information provided for the purposes of this Offering Circular. Registration may be required for access to this website and disclaimers may be posted with respect to the information posted thereon.

Standards

In performing their respective obligations under the Collateral Management Agreement, the Collateral Manager and the Special Collateral Manager must act in accordance with the following requirements, applying such requirements in the following order of priority in the event of a conflict: (a) any and all applicable laws; (b) where exercising a discretion or issuing an instruction or direction in relation to an Originated Asset, the provisions of the applicable Loan Agreement; (c) where issuing an instruction or direction to an Originated Asset Servicer the provisions of the applicable Servicing Agreement (including, in the case of the French Issuer Assets, the receipt of the prior consent of the French Issuer Management Company); (d) the provisions of the French Units, the Irish Notes or the Belgian Bonds, as applicable; (e) the express instructions of the Issuer Security Trustee (which may only be given in the circumstances described under "Issuer Collateral Management - Direction of Originated Asset Servicers and Exercise of Discretions" at page 200); (f) the express terms of the Collateral Management Agreement; and (g) the "**Collateral Management Standard**" which requires the Collateral Manager and the Special Collateral Manager to exercise the same standard of skill, care and diligence as it would be reasonable to expect the Collateral Manager or, as the case may be, the Special Collateral Manager to apply if it were the beneficial owner of the Issuer Assets, with a view to the timely collection of all sums owing under the Issuer Assets and, on the occurrence of an event of default in relation to an Issuer Asset, the maximisation of recoveries available in respect of such Issuer Asset (taking into account the likelihood of recovery of amounts due, the timing of any such recovery and the costs of recovery), without regard to any fees or other compensation to which the Collateral Manager or the Special Collateral Manager may be entitled, any obligation of the Collateral Manager or the Special Collateral Manager to incur any expense in connection with the performance of its obligations, any relationship the Collateral Manager or the Special Collateral Manager or any of their respective affiliates may have with any Borrower (or any affiliate of any Borrower) or any other party to the transactions contemplated by the issue of the Notes, the different payment priorities among the

Notes or the ownership of any Note by the Collateral Manager or Special Collateral Manager or any affiliate thereof.

Transfer of powers to the Special Collateral Manager

If (a) a Borrower fails to pay any amount of interest or principal for five Business Days after the same has become due; or (b) certain insolvency-related events occur in relation to a Borrower; or (c) the Collateral Manager determines that the Actual Interest Cover Percentage in respect of a Loan (other than a Loan in respect of which a third party has provided a guarantee or similar security in respect of the Borrower's obligations) has been less than 110 per cent. for two consecutive collection periods (each a "**Servicing Transfer Event**"), the Collateral Manager shall notify the Issuer Security Trustee, the Special Collateral Manager and the relevant Originated Asset Servicer of such event, whereupon the relevant Loan will become a Specially Serviced Loan and will remain so until it becomes a Corrected Loan (as described below) or until the Originated Asset Enforcement Procedures are completed in relation thereto or until it is sold or redeemed in full.

The "**Actual Interest Cover Percentage**" of a Loan is the proportion (expressed as a percentage) which the Net Rental Income (as defined in the Loan Agreement applicable to such Loan) payable to or for the benefit of the Borrower under that Loan during the immediately preceding French Unit Collection Period (if the relevant Loan is a French Loan), or Irish Note Collection Period (if the relevant Loan is an Irish Loan) or Note Collection Period (if the relevant Loan is the Belgian Bonds) bore to the amount of interest payable by such Borrower during the same period.

A Specially Serviced Loan will become a "**Corrected Loan**" if, for three consecutive collection periods, the Borrower pays all principal, interest and other amounts owing in respect of such Specially Serviced Loan when they fall due and no other Servicing Transfer Event is persisting which has persisted for a period of two complete, consecutive Collection Periods or longer. The Special Collateral Manager will be entitled, and required, to issue instructions to the relevant Originated Asset Servicer or the Belgian Security Agent, as applicable, regarding the servicing and enforcement of each Specially Serviced Loan in the manner that the Collateral Manager would have been entitled and required to do prior to such Loan becoming a Specially Serviced Loan.

If a Loan is a Specially Serviced Loan, the Special Collateral Manager may, subject to the relevant Originated Asset Servicer being indemnified to its satisfaction, require an Originated Asset Servicer to use all reasonable endeavours to appoint an entity which is acceptable to the Special Collateral Manager to be the sub-delegate of such Originated Asset Servicer. Any sub-delegate so appointed will perform the duties of the Originated Asset Servicer under the applicable Servicing Agreement insofar as they relate to such Specially Serviced Loan for so long as the relevant Loan remains a Specially Serviced Loan. All fees, costs and expenses payable to any sub-delegate of an Originated Asset Servicer appointed at the request of the Special Collateral Manager will be paid by the Special Collateral Manager on such terms as may be agreed by the Special Collateral Manager and the sub-delegate, without recourse to the relevant Originated Asset Servicer, the Collateral Manager, the Issuer or the Issuer Security Trustee.

If the Collateral Manager determines that the Actual Interest Cover Percentage of a Loan is equal to or less than 125 per cent. but greater than or equal to 110 per cent. then the Collateral Manager will promptly give notice thereof to the Special Collateral Manager and will consult with the Special Collateral Manager in relation to the future servicing or exercise of rights in respect of that Loan and its Related Security.

The Special Collateral Manager agrees that any non-public information which is disclosed to it in its capacity as Special Collateral Manager which is not made available to the Noteholders in their capacities as such and which Noteholders other than the Controlling Class could reasonably consider important in making an investment decision regarding the Notes will be used by the Special Collateral Manager solely for the purposes of performing its duties under the Collateral Management Agreement. The Special Collateral Manager will agree not to use any such non-public information for any dealings in relation to the Notes which would contravene any applicable law or regulation, including the rules of the Irish Stock Exchange.

The designation of a particular Loan as a Specially Serviced Loan will not affect the Collateral Manager's obligations with respect to the Loans which are not Specially Serviced Loans, the Issuer Assets or the performance of its non-discretionary functions such as reporting functions.

Appointment of Operating Adviser

The Controlling Class may elect to appoint a person (other than a Noteholder) to act as an adviser (the "**Operating Adviser**") to represent its interests and to advise the Special Collateral Manager about certain matters in relation to Specially Serviced Loans. The Special Collateral Manager must notify the Operating

Adviser prior to taking certain actions, such as appointing a receiver or undertaking similar enforcement action and must act in accordance with any instructions given by the Operating Adviser in connection with the matter in question. However, if the Special Collateral Manager determines that immediate action is necessary to comply with the Special Collateral Manager's other obligations under the Collateral Management Agreement, the Special Collateral Manager may take whatever action it considers necessary without waiting for the Operating Adviser's response. Furthermore, if the Special Collateral Manager considers that acting in accordance with the Operating Adviser's instructions would cause a breach of any of the Special Collateral Manager's other obligations under the Collateral Management Agreement, including a breach of the standards described under "Issuer Collateral Management – Standards" at page 198, the Special Collateral Manager may not follow such instructions.

The Operating Adviser and its officers, directors, employees and owners will have no liability to Noteholders for any advice given, or representations made, to the Special Collateral Manager, or for refraining from the giving of advice or making of representations. The Operating Adviser (a) may have special relationships and interests that conflict with those of holders of one or more classes of Notes; (b) may act solely in the interests of the holders of the Controlling Class; (c) has no duties to Noteholders, except for the Controlling Class; (d) may act to favour the interests of the Controlling Class over the interests of other Noteholders; and (e) will violate no duty and incur no liability by acting solely in the interests of the Controlling Class.

Direction of Originated Asset Servicers and Exercise of Discretions

As described in "Servicing – Direction of Originated Asset Servicers" at page 192, in exercising any discretion in relation to any Loan or Related Security serviced by it, including any discretion as to whether or not to grant a waiver, variation or amendment of any of the terms thereof, each Originated Asset Servicer may only act in accordance with the instructions of the Collateral Manager or, if the relevant Loan is a Specially Serviced Loan, the Special Collateral Manager. Furthermore, as described in "Servicing – Arrears and Default Procedures" at page 195, on the occurrence of an event of default in respect of a Loan, each Originated Asset Servicer must comply with the Originated Asset Enforcement Procedures and with any further instructions given by the Collateral Manager or, if the Loan has become a Specially Serviced Loan, the Special Collateral Manager in relation thereto. Following the service of a Note Enforcement Notice by the Note Trustee or of a notice by the Issuer Security Trustee that it believes the Issuer Security to be in jeopardy or upon being instructed to do so by the Note Trustee, the Issuer Security Trustee shall be entitled to issue instructions and directions directly to the Irish Issuer Servicer and/or the Belgian Security Agent in place of the Collateral Manager or, as the case may be, the Special Collateral Manager. The Issuer Security Trustee may not issue direct instructions to the French Issuer Servicer in such circumstances, although it may make representations to the French Issuer Management Company who will take whatever action it considers to be in the best interests of the Issuer as the holder of the French Units.

The Collateral Manager may not issue an instruction or direction in relation to a Loan and its Related Security, the effect of which would be to waive or modify a provision of the applicable Loan Documentation in a manner which is, in the reasonable opinion of the Collateral Manager, material or which would be to appoint a receiver or undertake similar enforcement actions unless it has obtained the prior written consent of the Special Collateral Manager. Such consent will be deemed to have been given if, within five Business Days of the Collateral Manager having notified the Special Collateral Manager of the proposed instruction or direction, the Special Collateral Manager has not notified the Collateral Manager that it has declined to give its consent. Any determination made by the Special Collateral Manager as to whether and at what time to grant its consent to any such matter must be made in accordance with the requirements of the Collateral Management Agreement including the standards described under "Issuer Collateral Management – Standards" at page 198. If the Collateral Manager has notified the Special Collateral Manager of the proposed issuance of a direction, notice, consent or approval to an Originated Asset Servicer, the Collateral Manager shall be deemed not to be in breach of the Collateral Management Agreement if it does not issue the relevant instruction or direction before the Special Collateral Manager grants its consent thereto (or until its consent is deemed to have been granted) or if it issues a direction, notice, consent or approval in the manner required by the Special Collateral Manager.

Neither the Collateral Manager nor the Special Collateral Manager will be required to obtain the consent of the Issuer Security Trustee or any other person prior to exercising any discretions and/or issuing any instructions or directions in relation to the Loans and the Related Security unless (a) the instruction or direction relates to a waiver, variation or amendment of the Loan Documentation described "Issuer Collateral Management – Waivers, Variations and Amendments" at page 201, or (b) the Collateral Manager or, as the case may, the Special Collateral Manager reasonably considers that the relevant action would be potentially beneficial to any particular class of Noteholders but potentially materially detrimental to any other class or classes of Noteholders, in which case the consent of the Issuer Security Trustee will be required before the relevant action is taken. However, the Collateral Manager or Special Collateral Manager may, but shall not be

obliged to, elect to inform the Issuer Security Trustee of its intention to exercise any discretion or issue any instruction or direction and, if it does so, must provide the Issuer Security Trustee with the information that may reasonably be necessary to enable the Issuer Security Trustee properly to evaluate the proposed instruction or direction or the manner of exercise of the discretion in question. Following such notification, the Collateral Manager or Special Collateral Manager may exercise the discretion or issue the instruction or direction without the Issuer Security Trustee taking any further action or granting its consent. However, if the Issuer Security Trustee does instruct the Collateral Manager or the Special Collateral Manager regarding the relevant matter, the Collateral Manager or, as the case may be, the Special Collateral Manager will be required to comply with such instructions and will be deemed not to be in breach of the Collateral Management Agreement if it does so. After issuing any instruction or direction or exercising any discretion of which the Collateral Manager or Special Collateral Manager gave the Issuer Security Trustee prior notice as described in this paragraph, the Collateral Manager or Special Collateral Manager, as applicable, must notify the Rating Agencies thereof and provide to the Rating Agencies such further information in relation thereto as they may reasonably require.

Waivers, Variations and Amendments

In addition to the restrictions imposed on the ability of the Collateral Manager to issue certain directions without the consent of the Special Collateral Manager as described above, the Collateral Management Agreement imposes restrictions on the ability of the Collateral Manager and of the Special Collateral Manager to consent to the waiver, variation or amendment of any terms of the Loan Documentation. For example, unless the Issuer Security Trustee grants its prior written consent, the effect of any waiver, variation or amendment cannot be to require the French Issuer, the Irish Issuer or the Issuer to make a further advance, to extend the final maturity date of the relevant Loan beyond its final maturity date as at the Closing Date or to waive more than five per cent. of the principal amount outstanding of a Loan as at the Closing Date. Furthermore, neither the Collateral Manager nor the Special Collateral Manager may consent to the release and substitution of a Property included in the Related Security for any Loan where the value of the Property to be released (calculated by reference to its Origination Valuation) exceeds fifteen per cent. of the aggregate value of the Properties initially charged as security for that Loan (calculated by reference to their respective Origination Valuations) unless each of the Rating Agencies has confirmed in writing that such release and substitution shall not result in the then current ratings of the Notes being downgraded, withdrawn or qualified.

Subject to obtaining prior confirmation from the Rating Agencies that the then current ratings of the Notes will not be downgraded, withdrawn or qualified thereby and provided that no Note Enforcement Notice has been given by the Note Trustee which remains in effect at the date of the amendment, the Collateral Manager may agree, on behalf of the Issuer, to amend the terms of the French Issuer Transaction Documents, the Irish Issuer Transaction Documents or the Belgian Issuer Transaction Documents. The consent of the Special Collateral Manager will also be required to the amendment of any of the Servicing Agreements.

Payments to the Collateral Manager and the Special Collateral Manager

Pursuant to the Collateral Management Agreement, on each Note Interest Payment Date the Issuer will pay the following amounts to the Collateral Manager (or the person then entitled thereto) in accordance with the priority of payments:

(a) a fee (the "**Collateral Management Fee**") in respect of each Loan payable at the rate of 0.01 per cent. per annum (exclusive of any applicable VAT) of the outstanding principal balance of that Loan, calculated (in the case of a French Loan) on the first day of the French Unit Collection Period to which that French Unit Interest Payment Date relates and (in the case of an Irish Loan) on the first day of the Irish Note Collection Period to which that Irish Note Interest Payment Date relates and, in the case of the Belgian Bonds, on the first day of the Note Collection Period to which that Note Payment Date relates;

(b) a fee (the "**Belgian Bond Services Fee**") payable at the rate of 0.07 per cent. per annum (exclusive of any applicable VAT) of the outstanding principal balance of the Belgian Bonds calculated on the first day of the Note Collection Period to which that Note Interest Payment Date relates; and

(c) a fee (the "**Administrative Services Fee**") equal to 0.02 per cent. per annum (exclusive of any applicable VAT) of the aggregate outstanding principal balance of the Issuer Assets on the first day of the Note Interest Period to which that Note Interest Payment Date relates.

The Collateral Management Fee, the Belgian Bond Services Fee and the Administrative Services Fee shall accrue from day to day and shall be calculated on the basis of the actual number of days elapsed in the relevant collection period, disregarding any days falling after the completion of the Enforcement Procedures

or the sale or redemption in full of a Loan and, in the case of the Belgian Bond Services Fee, any days on which the Belgian Bonds were a Specially Serviced Loan.

On each Note Interest Payment Date, the Issuer will also pay to MSMS (or other person then entitled thereto) the "**Supplemental Collateral Management Fees**". These comprise:

(i) an amount equal to all amounts allocated by the French Issuer Servicer and the Irish Issuer Servicer and the Collateral Manager towards Prepayment Fees paid by the French Borrowers, the Irish Borrowers and the Belgian Issuer, respectively (such amounts having been allocated as described in "Servicing - Transfer and Allocation of Funds" at page 193); and

(ii) an amount (the "**Available Receipts Component**") equal to:

(A) the Available Issuer Interest Receipts less an amount equal to the sum of (a) the Available Issuer Interest Receipts less an amount equal to the sum of the payments scheduled to be paid on such Note Interest Payment Date pursuant to items (a) through (i) set out in "Summary - Available Funds and their Priority of Application - Payments out of the Issuer Transaction Account prior to Enforcement of the Notes - Available Issuer Interest Receipts" at page 51; **plus**

(B) an amount equal to the Available Sequential Issuer Principal Receipts remaining after redemption in full of the Notes in accordance with Condition 6(b)(I); **plus**

(C) an amount equal to the Available Pro Rata Issuer Principal Receipts remaining after redemption in full of the Notes in accordance with Condition 6(b)(II).

Following any termination of MSMS's appointment as Collateral Manager, the Collateral Management Fee, the Belgian Bond Services Fee and the Administrative Services Fee will be paid to any substitute collateral manager although such fees may be payable to a substitute collateral manager at a higher rate (but which rate does not, in any event, exceed the rate then commonly charged by providers of services similar to the Collateral Management Services). Notwithstanding the termination of its appointment as Collateral Manager, the Supplemental Collateral Management Fees will continue to be payable to MSMS in the same manner and order of priority as they would have been payable, had no such termination taken place.

Both before enforcement of the Notes and thereafter, all fees and other sums due to the Collateral Manager and amounts payable to MSMS following the termination of its appointment as Collateral Manager (other than the Available Receipts Component of the Supplemental Collateral Management Fee) will be payable in priority to payments on the Notes.

If a Loan becomes a Specially Serviced Loan, the Issuer shall pay to the Special Collateral Manager a fee (the "**Special Collateral Management Fee**") equal to 0.15 per cent. per annum (exclusive of VAT) (or such lesser percentage rate per annum as may be agreed between the Special Collateral Manager, the Issuer and the Issuer Security Trustee from time to time) of the outstanding principal amount of such Loan, calculated (in the case of a French Loan) on the first day of the French Unit Collection Period during which it became a Specially Serviced Loan or, in the case of an Irish Loan, the first day of the Irish Note Collection Period during which it became a Specially Serviced Loan or, in the case of the Belgian Bonds, the first day of the Note Collection Period during which it became a Specially Serviced Loan. The Special Collateral Management Fee will accrue from day to day, will be calculated on the basis of a 360-day year and the actual number of days elapsed from and including the date on which such Loan became a Specially Serviced Loan until, but excluding, the date on which such Loan ceases to be a Specially Serviced Loan and will be payable in arrear on each Note Interest Payment Date commencing with the Note Interest Payment Date following the date on which the relevant Loan becomes a Specially Serviced Loan and ending on the Note Interest Payment Date following the date on which such Loan ceases to be a Specially Serviced Loan.

On each Note Interest Payment Date, the Special Collateral Manager must pay to each Originated Asset Servicer a fee in consideration for the Originated Asset Servicer performing its duties in relation to Specially Serviced Loans at the direction of the Special Collateral Manager. The amount of the fee so payable will equal 33 per cent. (exclusive of VAT) of the Special Collateral Management Fees received by the Special Collateral Manager on that Note Interest Payment Date in respect of Specially Serviced Loans serviced by that Originated Asset Servicer during the preceding French Unit Collection Period or Irish Note Collection Period, as applicable, (but excluding those Specially Serviced Loans in respect of which a sub-delegate has been appointed by the Originated Asset Servicer as described under "Issuer Collateral Management – Transfer of Powers to the Special Collateral Manager" at page 199). The obligation to make such payments to the Originated Asset

Servicer is an obligation of the Special Collateral Manager and not of the Issuer, the Issuer Security Trustee or any other person.

In addition to any Special Collateral Management Fee then payable to the Special Collateral Manager (or other person entitled thereto), on each Note Interest Payment Date the Issuer shall pay to the Special Collateral Manager a fee (the "**Liquidation Fee**") equal to one per cent. of the Liquidation Proceeds (exclusive of any applicable VAT) received by or on behalf of the Issuer in respect of any Specially Serviced Loan during the Note Interest Period then ended and a further fee (the "**Work-out Fee**") equal to the aggregate (exclusive of value added tax) of not more than one per cent. of the Borrower Interest Receipts and not more than one per cent. of the Borrower Principal Receipts received by or on behalf of the French Issuer, the Irish Issuer and the Issuer during the Note Interest Period then ended in respect of any Loans which are, and remain, Corrected Loans. However:

(a) no Liquidation Fee shall be payable in respect of Liquidation Proceeds derived from the purchase of a Property relating to a Specially Serviced Loan or of a Specially Serviced Loan by the Collateral Manager, the Special Collateral Manager, any Noteholder or any affiliate of any of the foregoing;

(b) no Work-out Fee will be payable in respect of a Corrected Loan if, prior to becoming a Corrected Loan, such Loan became and remained a Specially Serviced Loan solely by virtue of the Actual Interest Cover Percentage in respect thereof being less than 110 per cent.; and

(c) no Work-out Fee shall be payable in respect of a Corrected Loan in relation to which a Restructuring Fee was recovered from the Borrower and paid to the Special Collateral Manager, as described below.

Both before enforcement of the Notes and thereafter, all fees and other sums due to the Special Collateral Manager will be payable in priority to payments on the Notes.

On the Note Interest Payment Date immediately following the Note Interest Period during which they are incurred, the Issuer will be obliged to reimburse the Collateral Manager and the Special Collateral Manager in respect of any out-of-pocket costs, expenses and charges properly incurred by them in the performance of their respective duties, together with interest thereon at the rate of one per cent. per annum from the date on which such costs, expenses or charges were incurred by the Collateral Manager or the Special Collateral Manager until the Note Interest Payment Date on which they are reimbursed. To the extent that such costs, expenses and charges are incurred in relation to a particular Loan and the recovery of such amounts is permitted by the applicable Loan Documentation, the Servicing Agreements (or in the case of the Belgian Bonds, the Collateral Management Agreement) require the relevant Originated Asset Servicer or, as the case may be, the Collateral Manager to use all reasonable endeavours to ensure that the same are recovered from the Borrower in respect of whose Loan the cost or expense was incurred. Prior to issuing any instruction to an Originated Asset Servicer or the Belgian Security Agent to agree to the waiver, variation or amendment of the terms of any Loan Documentation, the Collateral Manager or, in the case of a Loan which is a Specially Serviced Loan, the Special Collateral Manager must determine and notify the Originated Asset Servicer or the Belgian Security Agent of the amount of the fee (the "**Restructuring Fee**") (which must be a reasonable and customary amount) to be charged for the work undertaken in relation to that waiver, variation or amendment. The Collateral Manager or, as the case may be, the Special Collateral Manager will instruct the Originated Asset Servicer or the Belgian Security Agent only to agree to the relevant waiver, variation or amendment if the Borrower pays the Restructuring Fee in advance, unless such an instruction would contravene the standards required to be applied by the Collateral Manager and the Special Collateral Manager in the performance of their respective duties under the Collateral Management Agreement. If a Restructuring Fee is charged to and recovered from a Borrower, the Issuer shall, on the Note Interest Payment Date following such recovery, pay to the Collateral Manager (or, in the case of a fee charged to the Borrower in relation to a Loan while it is a Specially Serviced Loan, the Special Collateral Manager) an amount equal to the fees so recovered.

Each of the Collateral Manager and the Special Collateral Manager may assign all or any part of the fees to which it is entitled under the Collateral Management Agreement, subject to the assignee agreeing to be bound by the terms of the Issuer Deed of Charge and Assignment.

Ability to Purchase Issuer Assets and Related Security

The Issuer has, pursuant to the Collateral Management Agreement, granted to the Collateral Manager:

(a) the option to purchase, on any Note Interest Payment Date, all, but not some only, of the Issuer Assets, provided that on the Note Interest Payment Date on which the Collateral Manager intends to purchase the Issuer Assets the then aggregate Principal Amount Outstanding of all the Notes is less than 10 per cent. of their aggregate Principal Amount Outstanding as at the Closing Date;

(b) the option to purchase, on any Note Interest Payment Date, all of the French Units, the Irish Notes or the Belgian Bonds if, in each case, the principal amount outstanding of any such Issuer Assets of a Relevant Jurisdiction is less than 10 per cent. of its respective principal amount outstanding on the Closing Date. The Collateral Manager must give the Issuer Security Trustee not more than 60 nor less than 30 days' prior written notice of its intention to purchase the Issuer Assets or any of them. The purchase price to be paid by the Collateral Manager to the Issuer in respect of the Issuer Assets of any Relevant Jurisdiction will be an amount equal to the then principal amount outstanding of those Issuer Assets and any accrued but unpaid interest thereon. Following the completion of such a purchase of those Issuer Assets by the Collateral Manager, in the case of the Issuer, all of its rights, title and interest in those Issuer Assets shall be transferred to the Collateral Manager and, in the case of the Issuer Security Trustee, a release and discharge of its security interests in the Issuer Assets shall be perfected.

Termination of the Appointment of the Collateral Manager and the Special Collateral Manager

The Collateral Manager's appointment may be terminated upon the occurrence of certain insolvency-related events in relation to the Collateral Manager or if the Collateral Manager fails to pay any sum due under the Collateral Management Agreement, which non-payment continues unremedied for five Business Days or more after receipt by the Collateral Manager of written notice from the Issuer Security Trustee requiring the same to be remedied or if the Collateral Manager defaults in the performance of its duties in a manner which, in the opinion of the Issuer Security Trustee, is materially prejudicial to the interests of any class of Noteholders and such default continues unremedied for a period of 30 days after receipt by the Collateral Manager of written notice from the Issuer Security Trustee requiring the same to be remedied. The appointment of the Special Collateral Manager may be terminated for the same reasons as that of the Collateral Manager and may also be terminated by notice given by the Issuer Security Trustee acting upon the instructions of the Note Trustee, acting in turn upon the instructions of the Controlling Class. The "**Controlling Class**" means the holders of the most junior class of Notes outstanding from time to time, which class has a total Principal Amount Outstanding that is not less than 25 per cent. of that class's original Principal Amount Outstanding on the Closing Date; provided, however, that if no class of Notes has a Principal Amount Outstanding that satisfies this requirement (whether by reason of the allocation of Applicable Principal Losses, redemption of such Notes or otherwise), then the "Controlling Class" will be the holders of the most junior class of Notes then outstanding that has a Principal Amount Outstanding that is greater than zero.

Each of the Collateral Manager and the Special Collateral Manager may terminate their respective appointments by giving three months' written notice to the Issuer Security Trustee.

No termination of the appointment of the Collateral Manager or, as the case may be, the Special Collateral Manager (whether on voluntary or involuntary grounds), may take effect until, among other things, a substitute has been appointed on terms substantially in the form of the Collateral Management Agreement and has agreed to assume such appointment subject to the Issuer Deed of Charge and Assignment and the Rating Agencies have confirmed that the then current ratings of the Notes will not be downgraded, withdrawn or qualified as the result of such appointment.

CASH MANAGEMENT

Pursuant to the Cash Management Agreement, the Issuer Operating Bank will open and maintain, in the name of the Issuer, the Issuer Transaction Account, the Issuer Deposit Account, the Swap Collateral Cash Account, the Stand-by Account and the Swap Collateral Custody Account. The Issuer Operating Bank has agreed to comply with any direction of the Cash Manager, the Issuer or the Issuer Security Trustee to effect payments from the Issuer Transaction Account, the Issuer Deposit Account, the Stand-by Account or the Swap Collateral Cash Account if such direction is made in accordance with the mandate governing the applicable account.

Calculation of Amounts and Payments

Each of the Belgian Issuer, the French Issuer and the Irish Issuer will be instructed, with effect from the Closing Date or, in the case of the Belgian Bonds, the Belgian Bond Transfer Date, to pay all amounts owing by it under, respectively, the Belgian Bonds, the French Units and the Irish Note into the Issuer Transaction Account, on the due date for payment therefor. The amount payable by the Belgian Issuer on each Belgian Bond Payment Date is described in "Summary - Available Funds and their Priority of Application - The Notes" at page 45. The amount payable by the French Issuer under the French Units held by the Issuer on each French Issuer Payment Date is described in "Summary - Available Funds and their Priority of Application - The French Units" at page 122, and will be net of any expenses then required to be paid by the French Issuer. The amount payable by the Irish Issuer under the Irish Note on each Irish Issuer Payment Date is described in "Summary - Available Funds and their Priority of Application - The Irish Notes" at page 126 above, and will be net of any expenses then required to be paid by the Irish Issuer.

On the Closing Date, the portion of the proceeds of the issuance of the Notes which will be used by the Issuer to fund the purchase of the Belgian Bonds on the Belgian Bond Transfer Date, will be placed by the Issuer into the Issuer Deposit Account held with the Issuer Operating Bank. Funds standing to the credit of the Issuer Deposit Account between the Closing Date and the Belgian Bond Transfer Date shall be invested by the Cash Manager in Eligible Investments. Upon delivery of the Belgian Bonds to the Issuer on the Belgian Bond Transfer Date, the Cash Manager shall, following receipt of confirmation from the Collateral Manager that the Belgian Bonds have been delivered to the Issuer, instruct the Issuer Operating Bank to pay the purchase price for the Belgian Bonds to the Originator from the Issuer Deposit Account, to transfer the balance (if any) to the Issuer Transaction Account and to close the Issuer Deposit Account. Upon receipt of a notice from the Collateral Manager that the Originator has failed to deliver the Belgian Bonds to the Issuer on the Belgian Bonds Transfer Date, the Cash Manager shall instruct the Issuer Operating Bank to transfer the funds credited to the Issuer Deposit Account to the Issuer Transaction Account for application on the next following Note Interest Payment Date in accordance with the Issuer Deed of Charge and Assignment and the Cash Management Agreement, as described below, and to close the Issuer Deposit Account.

All payments required to be made by the Issuer to the Swap Provider under the Swap Agreement will be deducted from the Issuer Transaction Account. In addition, all payments made by the Swap Provider and/or the Swap Guarantor, other than those contemplated by the Swap Agreement Credit Support Document, and all Liquidity Drawings (other than Indirect Expense Drawings) will be paid into the Issuer Transaction Account. Once such funds have been credited to the Issuer Transaction Account, the Cash Manager shall invest such sums in Eligible Investments and is required to apply such funds in accordance with the Issuer Deed of Charge and Assignment and the Cash Management Agreement, as described below.

On each Note Calculation Date (being the second Business Day prior to the relevant Note Interest Payment Date), the Cash Manager is required to determine the various amounts required to pay interest and principal due on the Notes on the forthcoming Note Interest Payment Date and all other amounts then payable by the Issuer, and the amounts available to make such payments. In addition, the Cash Manager will calculate the Principal Amount Outstanding and the Pool Factor (each as defined in Condition 6(*e*) at page 240) for each class of Notes for the Note Interest Period commencing on such forthcoming Note Interest Payment Date and the amount of each Note Principal Payment due on the next following Note Interest Payment Date, in each case pursuant to Condition 6(*e*) at page 240.

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

The Cash Manager will make all payments required to carry out redemption of the Notes pursuant to Condition 6(*c*) at page 238 or Condition 6(*d*) at page 239, in each case according to the provisions of the relevant Condition.

If the Cash Manager, acting on the basis of information provided to it by the Collateral Manager determines, on any Note Calculation Date, that an Interest Shortfall, Accrued Interest Shortfall or Principal Shortfall will arise in respect of a particular Loan, or that there will be a shortfall in the amount required to pay any interest that has accrued on existing drawings under the Liquidity Facility, or if certain Issuer Priority Payments which fall due on a date other than a Note Interest Payment Date and cannot be met by the application of other funds available for the purpose, the Cash Manager is required to submit a notice of drawdown under the Liquidity Facility Agreement. If the Cash Manager fails to submit a notice of drawdown on behalf of the Issuer when it is required to do so, then either the Issuer or, if the Issuer fails to do so, the Note Trustee may submit the relevant notice of drawdown.

Ledgers

The Cash Manager will maintain the following ledgers:

(a) a ledger in respect of Issuer Asset Interest Receipts (the "**Interest Ledger**");

(b) a ledger in respect of Issuer Asset Principal Receipts (the "**Principal Ledger**");

(c) a ledger in respect of drawings made under the Liquidity Facility Agreement (the "**Liquidity Ledger**");

(d) a ledger in respect of advances under the Inter-Company Loan Agreement (the "**Inter-Company Loan Ledger**");

(e) a ledger in respect of payments of the Supplemental Collateral Management Fee (the "**Prepayment Fee Ledger**");

(f) a ledger in respect of Swap Breakage Receipts (the "**Swap Breakage Receipts Ledger**"); and

(g) a ledger in respect of transfers of the Available Receipts Component of the Supplemental Collateral Management Fee to the Stand-by Account (the "**Liquidity Support Ledger**").

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

(i) credit the Interest Ledger with all Issuer Asset Interest Receipts transferred and credited to the Issuer Transaction Account and debit the Interest Ledger with all payments made out of Issuer Asset Interest Receipts;

(ii) credit the Principal Ledger with all Issuer Asset Principal Receipts transferred and credited to the Issuer Transaction Account and debit the Principal Ledger with all payments made out of Issuer Asset Principal Receipts;

(iii) credit the Liquidity Ledger with all payments of interest on and repayments of principal of drawings made under the Liquidity Facility Agreement and debit the Liquidity Facility Ledger with all drawings made by the Issuer under the Liquidity Facility Agreement;

(iv) credit the Inter-Company Loan Ledger with repayments of principal of advances under the Inter-Company Loan Agreement and debit the Inter-Company Loan Ledger with all drawings made by the French Issuer and the Irish Issuer under the Inter-Company Loan Agreement;

(v) credit the Prepayment Fee Ledger with all payments of Supplemental Collateral Management Fee; and

(vi) credit the Swap Breakage Receipts Ledger with all Swap Breakage Receipts transferred and credited to the Issuer Transaction Account; and

(vii) credit to the Liquidity Support Ledger with all payments of the Available Receipts Component of the Supplemental Collateral Management Fee transferred and credited to the Stand-by Account.

Cash Manager Quarterly Report

Pursuant to the Cash Management Agreement, the Cash Manager has agreed to deliver to the Issuer, the Issuer Security Trustee, the Collateral Manager, the Special Collateral Manager and the Rating Agencies a report in respect of each Note Collection Period in which it will notify the recipients of, among other things, all amounts received in the Issuer Transaction Account and payments made with respect thereto, and the performance of the Issuer Assets.

Delegation by the Cash Manager

The Cash Manager may, in certain circumstances, without the consent of the Issuer or the Issuer Security Trustee, sub-contract or delegate its obligations under the Cash Management Agreement. Notwithstanding any sub-contracting or delegation of the performance of any of its obligations under the Cash Management Agreement, the Cash Manager will not be released or discharged from any liability thereunder and will remain responsible for the performance of its obligations under the Cash Management Agreement by any sub-contractor or delegate.

Fees

Pursuant to the Cash Management Agreement, the Issuer will pay to the Cash Manager on each Note Interest Payment Date a cash management fee as agreed between the Cash Manager and the Issuer and will reimburse the Cash Manager and the Issuer Operating Bank for all out-of-pocket costs and expenses properly incurred by them in the performance of the services to be provided by them under the Cash Management Agreement as Cash Manager and Issuer Operating Bank, respectively. Any successor cash manager will receive remuneration on the same basis.

Both before enforcement of the Notes and thereafter (subject to certain exceptions), amounts payable by the Issuer to the Cash Manager and the Issuer Operating Bank will be payable in priority to interest payments due on the Class A Notes. This order of priority has been agreed with a view to procuring the continuing performance by each of the Cash Manager and the Issuer Operating Bank of their duties in relation to the Issuer, the Issuer Security Trustee, the Issuer Assets and the Notes.

Termination of Appointment of the Cash Manager

The appointment of HSBC Bank plc as Cash Manager under the Cash Management Agreement may be terminated by virtue of its resignation or its removal by the Issuer or the Issuer Security Trustee. The Issuer or the Issuer Security Trustee may terminate the Cash Manager's appointment upon not less than three months' written notice or immediately upon the occurrence of a termination event, including, among other things, (a) a failure by the Cash Manager to make when due a payment required to be made by the Cash Manager on behalf of the Issuer in accordance with the Cash Management Agreement, or (b) a default in the performance of any of its other duties under the Cash Management Agreement which continues unremedied for a period of fifteen Business Days after the earlier of the Cash Manager becoming aware of such default or receipt by the Cash Manager of written notice from the Issuer Security Trustee requiring the same to be remedied, or (c) a petition is presented, an effective resolution is passed, or an application is made for its winding up or the appointment of a liquidator, administrator or similar official, or a notice of intention to appoint an administrator is served, or an administrator is otherwise appointed.

The Cash Management Agreement requires that the Issuer Operating Bank be, except in certain limited circumstances, a bank which is an Authorised Entity. If the Issuer Operating Bank ceases to be an Authorised Entity, the Cash Manager will, within a reasonable time after having obtained the prior written consent of the Issuer, the Collateral Manager and the Issuer Security Trustee and subject to establishing substantially similar arrangements to those contained in the Cash Management Agreement, procure the transfer of the Issuer's Accounts and the Stand-by Account to another bank which is an Authorised Entity.

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

The Cash Manager may resign as Cash Manager upon not less than three months' written notice of resignation to each of the Issuer, the Collateral Manager, the Issuer Operating Bank and the Issuer Security Trustee provided that a suitably qualified successor Cash Manager shall have been appointed.

CREDIT STRUCTURE

The ratings assigned to the Notes by the Rating Agencies are based on the Originated Assets, the Issuer Assets, the Properties and the other relevant structural features of the transaction. The ratings assigned by the Rating Agencies to each class of Notes are set out in "Summary — The Notes — Ratings" at page 45. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. The ratings of the Notes are dependent upon, among other things, the short-term unsecured, unguaranteed, unsubordinated debt ratings of the Liquidity Facility Provider and the long term unsecured, unsubordinated debt rating of the Swap Guarantor. Consequently, a qualification, downgrade or withdrawal of either such ratings may have an adverse effect on the ratings of the Notes.

The ratings ascribed by the Rating Agencies address only the credit risks associated with the transaction. Other non-credit risks, such as those associated with the timing of principal prepayments and other market risks, have not been addressed and may have a significant effect on yield to investors.

The principal risks associated with the Notes and the manner in which they are addressed in the structure are set out below. Attention is also drawn to the section of this Offering Circular entitled "Risk Factors" at page 57 for a description of the principal risks in respect of the Originated Assets and the Issuer Assets.

Liquidity, Credit and Basis Risk

The Issuer is subject to:

(a) the risk that payments which it expects to receive in respect of the Issuer Assets are not paid when expected. This risk would arise as a result of the pass-through nature of the Issuer Assets if any of the Borrowers or the Belgian Issuer did not make a payment of interest, principal or other amount in respect of the relevant Loans when due ("**Payment Delinquency Risk**"). Payment Delinquency Risk is addressed through the ability of the Issuer to seek drawings under the Liquidity Facility Agreement to cover certain third party expenses, expected interest receipts in respect of the Loans and certain amounts in respect of expected principal receipts in respect of the Loans and by the liquidity support provided to classes of Notes by those classes of Notes (if any) ranking lower in priority to that class;

(b) the risk that payments which it expects to receive in respect of the Issuer Assets are not paid at all. This risk would arise if any of the Borrowers or the Belgian Issuer did not make a payment of interest, principal or other amount in respect of the relevant Originated Asset and/or the French Issuer or the Irish Issuer did not make a payment of interest, principal or other amount in respect of the relevant Issuer Asset ("**Payment Default Risk**"). Payment Default Risk is addressed in respect of the Notes by the credit support provided to classes of Notes by those classes of Notes (if any) ranking lower in priority to that class; and

(c) the risk of the interest rates payable by the Borrowers under the Loan Agreements and by the Belgian Issuer under the Belgian Bonds, and, correspondingly, the interest payable by the French Issuer and the Irish Issuer on their respective Issuer Assets, being less than that required by the Issuer in order to meet its commitments under the Notes and its other obligations ("**Interest Rate Risk**"). Interest Rate Risk is addressed by the Swap Transactions.

Liabilities under the Notes

The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by MSDW Bank or any associated entity of MSDW Bank, or of or by the Belgian Security Agent, the French Issuer or the Irish Issuer or of or by the Managers, the Collateral Manager, any Special Collateral Manager, the Note Trustee, the Issuer Security Trustee, the Corporate Services Provider, the Paying Agents, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Swap Provider, the Swap Guarantor, the Depository, the Exchange Agent or the Issuer Operating Bank or any company in the same group of companies as those parties listed above and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

On each Note Interest Payment Date, payments of interest on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, respectively, will be due and payable only if and to the extent that there are sufficient funds available to the Issuer to pay interest on the Class A Notes and other liabilities of the Issuer ranking higher in priority to interest payments on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, respectively, as provided in "Summary - Available

Funds and their Priority of Application - Payments out of the Issuer Transaction Account prior to Enforcement of the Notes - Available Issuer Interest Receipts" at page 51 and which have been paid or provided for in full. To the extent that there are insufficient funds available to the Issuer on any Note Interest Payment Date to pay in full interest otherwise due on any one or more classes of junior-ranking Notes then outstanding, after making the payments and provisions ranking higher in priority to the relevant interest payment, as the case may be, such interest will not then be due and payable but subject, in the case of the Class E Notes and the Class F Notes, to the following paragraph, will become due and payable, together with accrued interest thereon, on subsequent Note Interest Payment Dates, but only if and to the extent that funds are available therefor.

The Issuer's obligation to pay interest in respect of each of the Class E Notes and the Class F Notes is limited, on each Note Interest Payment Date, to an amount equal to the lesser of (a) the Note Interest Amount (as defined in Condition 5(*d*) at page 234) in respect of such class of Notes for that Note Interest Payment Date, and (b) the result of (i) the Available Interest Receipts in respect of such Note Interest Payment Date (including, for avoidance of doubt, the amount available for drawing by way of Interest Drawings and Accrued Interest Drawings under the Liquidity Facility Agreement on such Note Interest Payment Date), minus (ii) the sum of all amounts payable out of Available Interest Receipts on such Note Interest Payment Date in priority to the payment of interest on such class of Notes (the amount calculated under (b) in respect of a Note Interest Payment Date being the "**Adjusted Interest Amount**" for such class of Notes on that Note Interest Payment Date). If the difference between the Note Interest Amount and the Adjusted Interest Amount applicable to the Class E Notes or the Class F Notes, as applicable, is attributable to a reduction in the interest-bearing balance of the Issuer Assets and therefore Originated Assets as a result of prepayments, the debt that would otherwise be represented by such difference will be extinguished on such Note Interest Payment Date, and the affected Noteholders will have no claim against the Issuer in respect thereof.

The Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes will provide credit support for the Class A Notes. Funds which are available in respect of payments of principal on the Notes as described in the definition of Available Sequential Issuer Principal Receipts in Condition 6(*b*) at page 236 will be applied first, in paying the aggregate of all Liquidity Facility Repayment Amounts (as defined in the Definitions Agreement) applicable to Principal Drawings then outstanding under the Liquidity Facility Agreement, second, in paying principal on the Class A Notes until all the Class A Notes have been redeemed in full and only then will payments of principal on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes become payable, as provided in "Summary - Available Funds and their Priority of Application - Payments out of the Issuer Transaction Account prior to Enforcement of the Notes - Available Sequential Issuer Principal Receipts".

However, funds which are available in respect of payments of principal on the Notes as described in the definition of Available Pro Rata Issuer Principal Receipts in Condition 6(*b*) at page 236 will be applied first, in paying the aggregate of all Liquidity Facility Repayment Amounts applicable to Principal Drawings then outstanding under the Liquidity Facility Agreement and second, in repaying concurrently, *pari passu* and *pro rata*, according to the Principal Amount Outstanding of the Notes of each class on the Closing Date, principal on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes, as further described in "Summary – Payments out of the Issuer Transaction Account prior to Enforcement of the Notes – Available Pro Rata Issuer Principal Receipts; provided that, in the event that any of the following circumstances exist on a Note Calculation Date, on the next following Note Interest Payment Date, Available Pro Rata Issuer Principal Receipts shall be applied concurrently with, and in the same order of priority as, Available Sequential Issuer Principal Receipts as set out in the paragraph immediately above and as further described in "Summary – Available Funds and their Priority of Application – Payments out of the Transaction Account prior to Enforcement of the Notes – Available Issuer Principal – Application of Available Sequential Issuer Principal" at page 236:

(a) there is any event of default subsisting under any French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Document on such Note Calculation Date; or

(b) the cumulative percentage of Loans (calculated by reference to the principal amount outstanding of the Loans as at the Cut-Off Date) which have defaulted since the Closing Date is greater than 15 per cent. of the aggregate principal amount outstanding of the Loans as at the Cut-Off Date; provided that, in determining whether a Loan has defaulted for the purposes of this paragraph (b):

(i) such determination shall be made solely on the basis of the terms of the relevant French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Document as at the Closing Date and without regard to any subsequent amendments to the relevant French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Document, or waivers granted in respect thereof; and

(ii) a default shall not be deemed to have occurred if (a) the default is with respect to payment and such default has been remedied or cured within five Business Days of such default, and/or (b) the default is other than with respect to payment, the default is capable of being remedied or cured by the Borrower and such default has been remedied or cured within 30 days of such default being notified in accordance with the terms of the relevant relevant French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Documents, and/or (c) enforcement procedures have been completed and the principal amount outstanding of all amounts of interest, fees, expenses and any other amounts payable by the relevant Borrower in respect of such defaulted Loan have been received in full or the relevant Borrower has prepaid the defaulted Loan in full (including, for the avoidance of doubt, all amounts of interest, fees, expenses and other amounts payable by the relevant Borrower in respect of such defaulted Loan); or

(c) there has been any loss incurred by the Noteholders since the Closing Date resulting from a failure to repay principal of, or pay interest on, any Note on the due date for such payment; or

(d) the aggregate Principal Amount Outstanding of all the Notes on such Note Calculation Date is less than 20 per cent. of their Principal Amount Outstanding as at the Closing Date.

Security Interests and Post-Enforcement Priority of Payments

The assets of the Issuer may be divided into two categories:

(a) the Issuer Assets; and

(b) the remaining assets, which include the Issuer's rights to the Issuer Transaction Account and any amounts standing to the credit thereof and the Issuer's rights under the various transaction documents to which it is a party (the "**Issuer Remaining Assets**").

The security interests granted by the Issuer in respect of its various assets may similarly be divided into two categories:

(a) the security interests granted in respect of the Issuer Assets; and

(b) the security interests granted in respect of the Issuer Remaining Assets.

With respect to the former category of security interests, each of the Issuer Assets are the subject of an individual security agreement governed by the same governing law which governs the relevant Issuer Asset. Thus, security over the French Units is granted pursuant to the "**Issuer French Unit Nantissement**", pursuant to which the Issuer pledges the French Units, pursuant to Article L. 431-4 of the French *Code monetaire et financier* to the Issuer Secured Parties represented by the Issuer Security Trustee as *mandataire*; security over the Irish Notes is granted pursuant to the "**Issuer Irish Deed of Charge and Assignment**", pursuant to which the Issuer charges the Irish Notes to the Issuer Security Trustee on behalf of the Issuer Secured Parties under Irish law. Security over the Belgian Bonds is granted pursuant to the "**Issuer Belgian Bond Pledge Agreement**", pursuant to which the Issuer pledges, with effect from the Belgian Bond Transfer Date, each of (i) the Belgian Bonds and (ii) all rights owed to the Issuer as Bondholder and to the Belgian Security Agent under or in respect of the Belgian Bonds (including, without limitation, the right to enforce the Belgian Related Security) for the benefit of the Issuer Secured Parties represented by the Issuer Security Trustee as security agent under Belgian law.

With respect to the latter category of security interest, the Issuer Remaining Assets are the subject of the Issuer Deed of Charge and Assignment. The Issuer Deed of Charge and Assignment is governed by English law.

The security interests under each of the Issuer French Unit Nantissement, the Issuer Irish Deed of Charge and the Issuer Belgian Bond Pledge Agreement are enforceable simultaneously with the Issuer Deed of Charge and Assignment, as described below and together constitute the "**Issuer Security**".

The Issuer Security will become enforceable upon the Note Trustee giving a Note Enforcement Notice and directing the Issuer Security Trustee to enforce the Issuer Security. Following enforcement of the Issuer Security, the Issuer Security Trustee will be required, by the terms of the Issuer Deed of Charge and Assignment to apply all funds (other than funds standing to the credit of the Stand-by Account which shall be repaid to the Liquidity Facility Provider and the element of interest on the French Units and Irish Notes that represents Prepayment Fees and Prepayment Fees received in respect of the Belgian Bond, which shall continue

to contribute part of the Supplemental Collateral Management Fee) received or recovered by it pursuant to any element of the Issuer Security in accordance with the following order of priority (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full), all as more fully set out in the Issuer Deed of Charge and Assignment:

(i) in or towards satisfaction of any amounts due and payable by the Issuer to (a) *pari passu* and *pro rata*, the Note Trustee, the Issuer Security Trustee and any receiver appointed under the Issuer Deed of Charge and Assignment; then (b) to the Swap Provider in respect of amounts due or overdue to it under the Swap Agreement and the Swap Agreement Credit Support Document including payments due to be made by the Issuer following an early termination of the Swap Agreement (other than payments to be made by the Issuer referred to in (viii) below); then (c) *pari passu* and *pro rata*, the Paying Agents, the Exchange Agent and the Agent Bank in respect of amounts properly paid by such persons to the Noteholders and not paid by the Issuer under the Agency Agreement or the Exchange Rate Agency Agreement; then (d) the Collateral Manager (or any other person then entitled thereto) in respect of the Collateral Management Fee, the Administrative Services Fee and the Belgian Bond Services Fee, and the Special Collateral Manager in respect of any Special Collateral Management Fees and any other amounts (including any amounts due to the Special Collateral Manager in respect of any Liquidation Fee or Work-out Fee) due to the Collateral Manager and the Special Collateral Manager pursuant to the Collateral Management Agreement, in each case as between the Collateral Manager and the Special Collateral Manager *pari passu* and *pro rata*; then (e) to the Cash Manager under the Cash Management Agreement; then (f) to the Corporate Services Provider under the Issuer Corporate Services Agreement; then (g) to the Depository under the Depository Agreement; then (h) to the Issuer Operating Bank under the Cash Management Agreement; and then (i) to the Liquidity Facility Provider under and in accordance with the Liquidity Facility Agreement, other than Liquidity Subordinated Amounts;

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

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

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

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

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

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

(viii) in or towards payment of any Liquidity Subordinated Amounts;

(ix) in or towards satisfaction of any amounts due and payable by the Issuer to the Swap Provider under the Swap Agreement in respect of any payments due by the Issuer following an early termination of the Swap Agreement as a result of an event of default under the Swap Agreement in respect of which the Swap Provider is the Defaulting Party (as defined in the Swap Agreement);

(x) in payment or discharge of the Supplemental Collateral Management Fee to MSMS or the person or persons otherwise entitled thereto; and

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

An amount equal to all Swap Breakage Receipts (other than any Swap Breakage Receipts paid to the Issuer following an early termination of the Swap Agreement as a result of an event of default under the Swap Agreement in respect of which the Swap Provider was the Defaulting Party (as defined in the Swap Agreement) and other than those of the type contemplated in (i) and (ii) of paragraph (b) of Available Interest Receipts) will be paid to MSMS or the person or persons then entitled thereto. Upon enforcement of the Issuer Security, the Issuer Security Trustee will have recourse only to the rights of the Issuer to the Issuer Assets and all other assets constituting the Issuer Security.

The Issuer Deed of Charge and Assignment provides that, upon enforcement, certain payments (including all amounts payable to any receiver, the Issuer Security Trustee and the Note Trustee, all amounts due to the Collateral Manager or any other person in respect of the Collateral Management Fee and to the Special Collateral Manager in respect of the Special Collateral Management Fee and Liquidation Fees, the Corporate Services Provider, the Issuer Operating Bank, the Depository, all payments due to the Swap Provider under the Swap Transactions (other than those amounts referred to at clause (viii) above) and all payments due from the Issuer to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than Liquidity Subordinated Amounts)) will be made in priority to payments in respect of interest and principal on the Class A Notes. Upon enforcement of the Issuer Security, all amounts owing to the Class A Noteholders will rank higher in priority to all amounts owing to the Class B Noteholders. All amounts owing to the Class B Noteholders will rank higher in priority to all amounts owing to the Class C Noteholders. All amounts owing to the Class C Noteholders will rank higher in priority to all amounts owing to the Class D Noteholders. All amounts owing to the Class D Noteholders will rank higher in priority to all amounts owing to the Class E Noteholders. All amounts owing to the Class E Noteholders will rank higher in priority to all amounts owing to the Class F Noteholders.

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

Liquidity Facility Agreement and Inter-Company Loan Agreement

On the Closing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider and the Issuer Security Trustee, whereby the Liquidity Facility Provider will provide the Liquidity Facility to the Issuer. The "**Liquidity Facility**", will consist of (a) a 364-day committed euro revolving loan facility, which will be renewable as described below, and (b) a committed euro stand-by facility. The Liquidity Facility will permit drawings to be made by the Issuer of up to an initial aggregate amount of ε25,000,000. However, on any Note Interest Payment Date on which 10 per cent. of the then outstanding aggregate principal amount of the Loans equals less than ε25,000,000, the liquidity facility commitment will be reduced to the greater of (a) 10 per cent. of the then outstanding aggregate principal amount of the Loans, or (b) the lesser of (i) ε10,000,000 (or such lesser amount as the Rating Agencies may confirm will not lead to the rating of the Notes being downgraded, withdrawn or qualified as a result of such reduction) and (ii) 25 per cent. of the then outstanding aggregate principal amount of the Loans.

The Liquidity Facility may be used to remedy an Expense Shortfall, an Interest Shortfall, a Principal Shortfall or an Accrued Interest Shortfall. An "**Expense Shortfall**" will arise if:

(a) on any day the French Issuer is required to make a French Issuer Priority Payment of the type described in paragraph (a) of the definition of that term, the Irish Issuer is required to make an Irish Issuer Priority Payment of the type described in paragraph (a) of the definition of that term or the Issuer is required to make an Issuer Priority Payment of the type described in

paragraph (a) of that term, and in all such cases, no other funds are available for such amounts to be paid; or

(b) on any French Unit Interest Payment Date, the French Issuer is required to pay any amount to any third party other than MSDW Bank or MSMS, or on any Irish Note Interest Payment Date, the Irish Issuer is required to pay any amount to any third party other than MSDW Bank or MSMS or any Note Interest Payment Date the Issuer is required to pay any amount to any third party other than MSDW Bank or MSMS, and, in all such cases, no other funds are available for such amounts to be paid.

Under such circumstances the Collateral Manager shall notify the Cash Manager of the existence of such Expense Shortfall and the Cash Manager may, on behalf of the Issuer, make an Expense Drawing pursuant to the Liquidity Facility Agreement in an amount equal to the relevant Expense Shortfall. To the extent that such Expense Shortfall has arisen in respect of the French Issuer, the Issuer will lend the amount of the relevant Expense Drawing to the French Issuer directly, to enable it to meet the relevant Expense Shortfall. To the extent that such Expense Shortfall has arisen in respect of the Irish Issuer, the Issuer will lend the amount of the relevant Expense Drawing to the Irish Issuer to enable it to meet the relevant Expense Shortfall. Such loans will be made pursuant to the Inter Company Loan Agreement.

On each Note Calculation Date, the Cash Manager will determine, based on information provided to it by the Collateral Manager, whether an Interest Shortfall, Principal Shortfall or Accrued Interest Shortfall will arise in respect of any of the Loans (which will then become a "**Shortfall Loan**") on the next following Note Interest Payment Date and, if so, will make Interest Drawings, Principal Drawings and Accrued Interest Drawings as required on the day immediately preceding that Note Interest Payment Date. Each such drawing will be in an amount equal to the relevant shortfall (subject to any "Appraisal Reduction", as described below) and will be credited to the Issuer Transaction Account.

An "**Interest Shortfall**" will arise in respect of a Loan on a Note Interest Payment Date if the interest receipts received by the French Issuer, the Irish Issuer or the Issuer in respect of such Loan during the relevant Note Collection Period (other than voluntary prepayments of interest) were less than the Scheduled Interest Receipts expected on that Loan for that Note Collection Period.

A "**Principal Shortfall**" will arise in respect of a Loan on a Note Interest Payment Date if the principal receipts received by the French Issuer, the Irish Issuer or the Issuer in respect of such Loan during the relevant Note Collection Period were less than the Scheduled Principal Receipts expected on that Loan for that Note Collection Period. The Liquidity Facility will not be available to fund shortfalls in the amount of Final Redemption Funds, Principal Recovery Funds or Prepayment Redemption Funds.

An "**Accrued Interest Shortfall**" will arise in respect of a Loan on a Note Interest Payment Date if the interest receipts received by the French Issuer, the Irish Issuer or the Issuer in respect of such Loan, during a Note Collection Period are insufficient to cover the amount of any interest which will have accrued on outstanding Interest Drawings, Principal Drawings and Accrued Interest Drawings in respect of that Loan.

The "**Scheduled Interest Receipts**" for a Loan in a Note Collection Period include all payments of interest, fees (other than Prepayment Fees), breakage costs, expenses, commissions and other sums due and payable by the Borrower or Borrowers related to such Loan during that Note Collection Period (other than any payments in respect of principal). The "**Scheduled Principal Receipts**" for a Loan in a Note Collection Period include all payments of principal, excluding Final Redemption Funds, scheduled to be paid by the Borrower or Borrowers related to that Loan during that Note Collection Period. The amount of Scheduled Interest Receipts and Scheduled Principal Receipts due in a Note Collection Period will be calculated on the assumption that each Borrower in respect of a Loan has made all prior payments under the applicable Loan Agreement or Belgian Bonds when due (but taking into account, for the avoidance of doubt, any prepayment made by the Borrowers or the Belgian Issuer). However, if on any Note Interest Payment Date there are insufficient funds available under the Liquidity Facility to enable the Issuer to draw the amount it would otherwise be entitled to draw in respect of an Interest Shortfall or a Principal Shortfall (i.e. there is a "**Liquidity Facility Deficiency**"), the "Scheduled Interest Receipts" and/or "Scheduled Principal Receipts" due from the Borrower under the Loans during the Note Collection Period immediately following that Note Interest Payment Date will be calculated on the assumption that the Borrower Interest Receipts or Borrower Principal Receipts, as the case may be, for the prior Note Collection Period were reduced by the amount of the Liquidity Facility Deficiency.

If completion of the Originated Asset Enforcement Procedures takes place in respect of a Shortfall Loan during a Note Collection Period, all outstanding Interest Drawings, Principal Drawings, Accrued Interest Drawings, drawings to cover Expense Shortfalls and other amounts associated with that Shortfall Loan (together, the "**Liquidity Drawings**") are repayable in full on the next following Note Interest Payment Date

provided that all sums required to be paid in priority to those sums have been paid in accordance with the Issuer Deed of Charge and Assignment.

If completion of the Originated Asset Enforcement Procedures does not take place in respect of a Shortfall Loan, any outstanding Liquidity Drawings will be repaid on each Note Interest Payment Date as follows:

(a) Interest Drawings made in respect of a particular Shortfall Loan will be repayable in an amount equal to the amount (if any) by which the Borrower Interest Receipts received in respect of such Shortfall Loan during the immediately preceding Note Collection Period exceed the Scheduled Interest Receipts due in respect thereof in such Note Collection Period (without taking into account any deemed reduction as a result of a previous Liquidity Facility Deficiency); provided, however, that the amount repayable on any Note Interest Payment Date will not exceed the aggregate of all Interest Drawings then outstanding in respect of the relevant Shortfall Loan on such Note Interest Payment Date;

(b) Principal Drawings made in respect of a particular Shortfall Loan will be repayable in an amount equal to the amount (if any) by which the Borrower Principal Receipts received in respect of such Shortfall Loan during the relevant Note Collection Period exceed the Scheduled Principal Receipts due and payable in respect thereof in such Note Collection Period (without taking into account any deemed reduction as a result of a preivous Liquidity Facility Deficiency); provided however that the amount repayable on any Note Interest Payment Date will not exceed the aggregate of all Principal Drawings then outstanding in respect of the relevant Shortfall Loan; and

(c) Accrued Interest Drawings will be repayable on the Note Interest Payment Date on or following the Note Interest Payment Date on which all Interest Drawings and Principal Drawings relating to the Shortfall Loan in relation to which the Accrued Interest Drawings has been made, have been repaid in full, provided that the amount repayable on any Note Interest Payment Date will not exceed the aggregate of all Accrued Interest Drawings then outstanding in respect of the relevant Shortfall Loan.

Expense Drawings are repayable in full on the Note Interest Payment Date immediately following the date on which they were drawn.

Not later than the earliest to occur of: (i) the date 120 days after the occurrence of any non-payment with respect to a Loan if such non-payment remains uncured, (ii) the date 90 days after the occurrence of certain insolvency related events in respect of a Borrower, (iii) the effective date of any modification to the maturity date, interest rate, principal balance, amortisation term or payment frequency of a Loan, other than the extension of the date that a final principal payment is due for a period of less than six months and (iv) the date 30 days following the date a Loan becomes a Specially Serviced Loan, the Special Collateral Manager is required to obtain an appraisal by an independent professional valuer qualified in the jurisdiction in which the affected Property is located (if the outstanding principal balance of the Loan is greater than ε5,000,000) or an internal valuation (if the outstanding principal balance of the Loan is equal to or less than ε5,000,000) of the relevant Property, unless such an appraisal or valuation had previously been obtained within the preceding twelve months. As a result of such appraisal or internal valuation, an "**Appraisal Reduction**" may be created, being an amount, calculated as of the first Note Calculation Date that is at least 15 days after the date on which the appraisal or valuation is obtained or performed, equal to the excess, if any, of (a) the sum of (i) the outstanding principal balance of such Loan, (ii) all unpaid interest on such Loan, (iii) all currently due and unpaid taxes and assessments (net of any amount escrowed for such items), insurance premiums, and, if applicable, ground rents in respect of the relevant Property, over (b) 90 per cent. of the appraised value of such Property as determined by such appraisal or valuation. An Appraisal Reduction will be reduced to zero as of the date that the relevant Loan is brought current under the then current terms of the relevant Loan Agreement or the Belgian Bonds for at least three consecutive months, paid in full, liquidated, repurchased or otherwise disposed of. Notwithstanding the foregoing, if an internal valuation of the Property is performed, the Appraisal Reduction will equal the greater of (a) the amount calculated in the second preceding sentence and (b) 25 per cent. of the outstanding principal balance of the Loan. The creation of an Appraisal Reduction will proportionately reduce the amount available to be drawn by way of Principal Drawings and Interest Drawings under the Liquidity Facility Agreement.

A "**Liquidity Support Event**" will occur if the appraisal or internal valuation of a Property obtained by the Special Collateral Manager in the circumstances set out in the preceding paragraph is less than 30 per cent. of the Origination Valuation of such Property and a Liquidity Drawing is or has been made in respect of the Shortfall Loan secured by such Property. A Liquidity Support Event will cease upon the Note Interest Payment Date on which all outstanding Liquidity Drawings in respect of the relevant Shortfall Loan that triggered a Liquidity Support Event are repaid in full. On each Note Interest Payment Date following the occurrence and during the continuance of a Liquidity Support Event, the Available Receipts Component of the Supplemental

Collateral Management Fee shall be transferred and credited to the Stand-by Account. The "**Liquidity Support Amount**" shall be the aggregate of all amounts of Supplemental Collateral Management Fee transferred and credited to the Stand-by Account from time to time. The Cash Manager is required to invest such funds in Eligible Investments. All income received in respect of such Eligible Investments shall form part of the Liquidity Support Amount.

If on the Note Interest Payment Date following the completion of enforcement procedures in respect of any Shortfall Loan there are (i) insufficient Available Issuer Interest Receipts to repay in full (a) all Interest Drawings and Accrued Interest Drawings made in respect of such Shortfall Loan and (b) all outstanding Expense Drawings and (ii) insufficient Available Issuer Principal Receipts to repay in full all Principal Drawings made in respect of such Shortfall Loan, the Issuer shall pay to the Liquidity Facility Provider such amount of the Liquidity Support Amount as is necessary to repay all such Liquidity Drawings in full. If the Liquidity Support Amount is greater than the amount required to repay all such Liquidity Drawings on any Note Interest Payment Date and no other Liquidity Drawings that triggered a Liquidity Support Event are outstanding, the Issuer shall pay the excess to the Collateral Manager as deferred Supplemental Collateral Management Fees.

The Liquidity Facility Agreement may be renewed until the earlier of 18th February, 2013 or such date the principal balance of the Loans have been reduced to zero. The Liquidity Facility Agreement will provide that if at any time the rating of the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider falls below the Requisite Rating, or the Liquidity Provider refuses to renew the Liquidity Facility Agreement, then the Issuer will require the Liquidity Facility Provider to pay into the Stand-By Account, maintained with an appropriately rated bank, an amount (a "**Stand-by Drawing**") equal to its undrawn commitment under the Liquidity Facility Agreement. In the event that the Cash Manager makes a Stand-by Drawing, the Cash Manager is required, prior to the expenditure of the proceeds of such drawing as described above, to invest such funds in Eligible Investments.

"**Eligible Investments**" means (i) euro-denominated government securities or (ii) euro-denominated demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper, liquidity funds and/or money market funds); provided that in all cases such investments will mature at least one business day prior to the next Note Interest Payment Date and the short-term, unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being a bank or licensed EU credit institution) are rated "A-1+" by S&P, "P-1" by Moody's and "F1+" by Fitch, 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 "A1" by Moody's, or are otherwise acceptable to each Rating Agency.

Amounts standing to the credit of the Stand-by Account (other than the Liquidity Support Amount) will be available to the Issuer for drawing in respect of an Interest Drawing, a Principal Drawing, an Accrued Interest Drawing or an Expense Drawing, as described above, and otherwise in the circumstances provided in the Liquidity Facility Agreement. Following enforcement of the Issuer Security, all funds standing to the credit of the Stand-by Account (other than the Liquidity Support Amount) will be repaid to the Liquidity Facility Provider. Following enforcement of the Issuer Security, the Liquidity Support Amount shall be applied by the Cash Manager first, to repay all outstanding Expense Drawings and any outstanding Liquidity Drawings that triggered a Liquidity Support Event and secondly, any excess shall be paid to the Collateral Manager as deferred as part of the Supplemental Collateral Management Fee.

All payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect of any amounts due thereunder which are described in item (j) of "Summary — Available Funds and their Priority of Application — Payments out of the Issuer Transaction Account prior to Enforcement of the Notes — Available Issuer Interest Receipts" at page 51.) will rank higher in priority to payments of interest and principal on the Notes.

Principal Losses

If, on any Note Calculation Date, the amount of principal determined by the Collateral Manager to be outstanding in respect of the Loans (taking into account Borrower Principal Receipts in prior Collection Periods and principal amounts written off by any Originated Asset Servicer or, in the case of the Belgian Bonds, the Collateral Manager, following a Borrower's default) is less than the Principal Amount Outstanding of the Notes on such Note Calculation Date, a "**Principal Loss**" will have occurred.

On the Note Interest Payment Date following the occurrence of a Principal Loss, the Principal Amount Outstanding of the Notes will, subject as set out below, be reduced by an amount equal to the Principal Loss as

follows: first, the Principal Amount Outstanding of the Class F Notes will be reduced until the Principal Amount Outstanding of the Class F Notes is zero; second, the Principal Amount Outstanding of the Class E Notes will be reduced until the Principal Amount Outstanding of the Class E Notes is zero; third, the Principal Amount Outstanding of the Class D Notes will be reduced until the Principal Amount Outstanding of the Class D Notes is zero; fourth, the Principal Amount Outstanding of the Class C Notes will be reduced until the Principal Amount Outstanding of the Class C Notes is zero; fifth, the Principal Amount Outstanding of the Class B Notes will be reduced until the Principal Amount Outstanding of the Class B Notes is zero and sixth, the Principal Amount Outstanding of the Class A Notes will be reduced until the Principal Amount Outstanding of the Class A Notes is zero.

The Swap Agreement

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

The Issuer will enter into Swap Transactions ("**Swap Transactions**"), pursuant to the Swap Agreement, with the Swap Provider in order to protect itself against the mismatch between (a) the interest rates in respect of the Issuer Assets which, in the case of the French Units and the Irish Notes, pass through fixed rate interest payments in respect of the relevant Loans and which, in respect of the Belgian Bonds, are fixed interest rate instruments and (b) the floating interest rate applicable to the Notes.

Under the terms of each Swap Transaction, the Issuer will pay to the Swap Provider on each Interest Payment Date an amount equal to the excess (if any) of an amount determined by reference to the fixed rate payments payable by the relevant Borrower or the Belgian Issuer, as the case may be, during the relevant Collection Period ("X") over an amount determined by reference to three-month EURIBOR (or, in the case of the first Interest Period, an amount determined by the linear interpolation of two and three-month EURIBOR) ("Y") and the Swap Provider will pay to the Issuer an amount equal to the excess (if any) of Y over X.

The Swap Transactions may be terminated in accordance with certain termination events and events of default, some of which are more particularly described below.

Subject to the following, the Swap Provider and the Swap Guarantor are obliged only to make payments under the Swap Transactions to the extent that the Issuer makes the corresponding payments thereunder. Furthermore, a failure by the Issuer to make timely payment of amounts due from it under the Swap Transactions will constitute a default thereunder and entitle the Swap Provider to terminate the Swap Transactions.

The Swap Provider will be obliged to make payments under the Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the Swap Provider will be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount the Issuer would have received had no such withholding or deduction been required or, if such withholding or deduction is a withholding or deduction which will or would be or become the subject of any tax credit, allowance, set-off, repayment or refund to the Swap Provider, the Issuer shall use all reasonable endeavours to reach agreement to mitigate the incidence of tax on the Swap Provider. The Issuer is similarly obliged to make payments under the Swap Agreement without any withholding or deduction of taxes unless required by law and is similarly obliged to pay additional amounts and the Swap Provider is similarly obliged to use reasonable endeavours to reach agreement to mitigate the incidence of tax on the Issuer. Such additional amounts will be payable in priority to amounts payable on the Notes.

The Swap Agreement will provide, however, that if due to action taken by a relevant taxing authority, action brought in a court of competent jurisdiction or any change in tax law, either the Issuer or the Swap Provider will, or there is a substantial likelihood that it will, on the next Note Interest Payment Date, be required to pay additional amounts in respect of tax under the Swap Agreement or will, or there is a substantial likelihood that it will, receive payment from the other party from which an amount is required to be deducted or withheld for or on account of tax (a "**Tax Event**"), the Swap Provider will use its reasonable efforts to transfer its rights and obligations to another of its offices, branches or affiliates or a suitably rated third party to avoid the relevant Tax Event. If no such transfer can be effected, the Swap Agreement and the Swap Transactions may be terminated. If the Swap Agreement is terminated and the Issuer is unable to find a replacement swap provider and the Issuer cannot avoid such Tax Event by taking reasonable measures available to it and the Issuer has certified that it has sufficient funds to discharge all of its liabilities in respect of the Notes, then the Issuer shall redeem all of the Notes in full. Such redemption will be made by the Issuer to the extent of an amount equal to the then aggregate Principal Amount Outstanding of each class of Notes then outstanding plus interest

accrued and unpaid thereon. See "Terms and Conditions of the Notes — Condition 6(*e*)" at page 240. The Swap Agreement will contain certain other limited termination events and events of default which will entitle either party to terminate the Swap Agreement. In the event that an Originated Asset is repurchased by MSDW Bank pursuant to an Asset Transfer Agreement or any Issuer Asset is purchased by the Collateral Manager pursuant to the Collateral Management Agreement, the Swap Transactions relating to such Originated Assets or Issuer Assets, as the case may be, will not be terminated, but the rights and obligations of the Issuer under the Swap Transactions will, in accordance with the terms of the Swap Agreement, be transferred to MSDW Bank or an affiliate thereof or the Collateral Manager or an affiliate thereof, as the case may be.

The Swap Provider may, at its own discretion and at its own expense, novate its rights and obligations under the Swap Agreement (including the Swap Transactions) to any third party provided the Rating Agencies have confirmed in writing that such transfer or assignment would not cause a downgrading of the then applicable ratings of the Notes and provided further that such third party agrees to be bound by, among other things, the terms of the Issuer Deed of Charge and Assignment, on substantially the same terms as the Swap Provider.

Swap Guarantor Downgrade Event

If the rating of the short-term, unsecured, unsubordinated debt obligations of the Swap Guarantor falls below "A-1" by S&P, "F1" by Fitch or "P-1" by Moody's, or the long-term, unsecured, unsubordinated debt obligations of the Swap Guarantor falls below "A1" by Moody's at any time, then the Swap Provider is required to comply with the requirements set out in the Swap Agreement which may require the delivery to the Issuer of collateral (which collateral may be in the form of cash or securities) in respect of its obligations under the Swap Transactions in an amount or value determined in accordance with the terms of the Swap Agreement Credit Support Document.

Swap Agreement Credit Support Document

If at any time the Swap Provider is required to provide collateral in respect of any of its obligations under the Swap Agreement it will also do so under the terms of the 1995 ISDA Credit Support Annex (Bilateral Form — Transfer) entered into on or around the Closing Date between the Issuer and the Swap Provider (the "**Swap Agreement Credit Support Document**"). The Swap Agreement Credit Support Document will provide that, from time to time, subject to the conditions specified in the Swap Agreement Credit Support Document, the Swap Provider will make transfers of collateral to the Issuer in support of its obligations under the Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Swap Agreement Credit Support Document.

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

If the Swap Collateral Cash Account and the Swap Collateral Custody Account are opened, amounts equal to any amounts of interest on the credit balance of the Swap Collateral Cash Account, or equivalent to distributions received on securities held in the Swap Collateral Custody Account, are required to be paid to the Swap Provider in accordance with the terms of the Swap Agreement Credit Support Document and the Issuer Deed of Charge and Assignment in priority to any other payment obligations of the Issuer, other than to the Note Trustee, the Issuer Security Trustee and for a receiver following the enforcement of the Notes. The obligation of the Issuer in respect of any return of securities posted as collateral pursuant to the Swap Agreement Credit Support Document is to return "equivalent securities".

Swap Guarantee

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

ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of the Notes cannot be predicted as the actual rate at which Issuer Assets will be repaid or prepaid and a number of other relevant factors are unknown.

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

(a) no Issuer Assets are sold by the Issuer;

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

(c) the Swap Agreement will not be terminated; and

(d) the Closing Date is 12th December, 2003,

then the approximate percentage of the initial principal amount outstanding of the Notes on each payment date of the Notes after application of principal in that period and the approximate average lives of the Notes would be as follows:

Payment Date of Notes	Class A Notes	Class B Notes	Class C Notes	Class D Notes	Class E Notes	Class F Notes
Closing Date	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
18th February, 2004	99.4%	100.0%	100.0%	100.0%	100.0%	100.0%
18th May, 2004	98.5%	100.0%	100.0%	100.0%	100.0%	100.0%
18th August, 2004	93.4%	98.3%	98.3%	98.3%	98.3%	98.3%
18th November, 2004	92.3%	98.3%	98.3%	98.3%	98.3%	98.3%
18th February, 2005	91.2%	98.3%	98.3%	98.3%	98.3%	98.3%
18th May, 2005	90.0%	98.3%	98.3%	98.3%	98.3%	98.3%
18th August, 2005	88.6%	98.3%	98.3%	98.3%	98.3%	98.3%
18th November, 2005	87.2%	98.3%	98.3%	98.3%	98.3%	98.3%
18th February, 2006	85.7%	98.3%	98.3%	98.3%	98.3%	98.3%
18th May, 2006	84.2%	98.3%	98.3%	98.3%	98.3%	98.3%
18th August, 2006	82.7%	98.3%	98.3%	98.3%	98.3%	98.3%
18th November, 2006	59.8%	89.3%	89.3%	89.3%	89.3%	89.3%
18th February, 2007	58.4%	89.3%	89.3%	89.3%	89.3%	89.3%
18th May, 2007	57.0%	89.3%	89.3%	89.3%	89.3%	89.3%
18th August, 2007	32.5%	79.5%	79.5%	79.5%	79.5%	79.5%
18th November, 2007	23.5%	76.1%	76.1%	76.1%	76.1%	76.1%
18th February, 2008	22.6%	76.1%	76.1%	76.1%	76.1%	76.1%
18th May, 2008	21.8%	76.1%	76.1%	76.1%	76.1%	76.1%
18th August, 2008	21.0%	76.1%	76.1%	76.1%	76.1%	76.1%
18th November, 2008	0.3%	67.8%	67.8%	67.8%	67.8%	67.8%
18th February, 2009	0.0%	64.5%	67.8%	67.8%	67.8%	67.8%
18th May, 2009	0.0%	58.6%	67.8%	67.8%	67.8%	67.8%
18th August, 2009	0.0%	52.7%	67.8%	67.8%	67.8%	67.8%
18th November, 2009	0.0%	0.0%	0.0%	0.0%	0.0%	27.3%
18th February, 2010	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Average Life (years)	3.4	5.1	5.2	5.2	5.2	5.3
First Principal Payment Date	18th February, 2004	18th August, 2004	18th August, 2004	18th August, 2004	18th August, 2004	18th August, 2004
Last Principal Payment Date	18th February, 2009	18th November, 2009	18th November, 2009	18th November, 2009	18th November, 2009	18th February, 2010

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

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

The day count fraction used for the above was "30/360", being the number of days in the relevant period divided by 360 (the number of days being calculated on the basis of a year of 360 days with twelve 30-day months).

DESCRIPTION OF THE NOTES AND THE DEPOSITORY AGREEMENT

General

Each class of Notes will be represented by a Reg S Global Note and two Rule 144A Global Notes in bearer form (all such Global Notes being herein referred to as the "**Global Notes**"). The Global Notes will be deposited with or to the order of HSBC Bank USA as Depository pursuant to the terms of the Depository Agreement. The Depository will for each class of Note (a) register a certificateless depository interest in respect of one of the Rule 144A Global Notes in the name of DTC or its nominee, (b) issue a certificated depository interest in respect of the other Rule 144A Global Note to HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee on behalf of HSBC Bank plc, as common depositary (the "**Common Depositary**") for the account of Euroclear and Clearstream, Luxembourg and (c) issue a certificated depository interest in respect of the Reg S Global Note to the Common Depositary. All of the certificated and certificateless depository interests ("**CDIs**") will represent a 100 per cent. interest in the underlying Global Note relating thereto. The Depository, acting as agent of the Issuer, will maintain a book-entry system in which it will register DTC or its nominee as the owner of the certificateless depository interests referred to in (a) above and the Common Depositary or a nominee of the Common Depositary as owner of the certificated depository interests referred to in (b) and (c) above.

Upon confirmation by the Common Depositary that the Depository has custody of the Reg S Global Notes and the Rule 144A Global Notes to be held by the Common Depositary, Euroclear or Clearstream, Luxembourg, as the case may be, will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable to the Reg S Global Notes and the Rule 144A Global Notes relating thereto.

Upon confirmation by DTC that the Depository has custody of the Rule 144A Global Notes to be held by or on behalf of DTC or its nominee and upon acceptance by DTC of the CDIs pursuant to the DTC Letter of Representations sent by the Depository and the Issuer to DTC, DTC will record Book-Entry Interests representing beneficial interests in the relevant CDIs attributable to the Rule 144A Global Notes relating thereto.

For the avoidance of doubt, all references in this section to a "**Book-Entry Interest**" in a Global Note are construed as a reference to a Book-Entry Interest in the CDI attributable to such Global Note.

Book-Entry Interests in respect of Global Notes will be recorded in original denominations of ε50,000 and integral multiples of ε100 in excess thereof. Ownership of Book-Entry Interests in respect of Global Notes will be limited to persons that have accounts with DTC, Euroclear or Clearstream, Luxembourg or persons that hold interests in the Book-Entry Interests through participants, including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with DTC, Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect participants will also include persons that hold beneficial interests through such indirect participants. Book-Entry Interests will not be held in definitive form. Instead, DTC, Euroclear and Clearstream, Luxembourg, as applicable, will credit the participants' accounts with the respective Book-Entry Interests beneficially owned by such participants on each of their respective book-entry registration and transfer systems. The accounts to be credited will be designated by Morgan Stanley & Co. International Limited. Ownership of Book-Entry Interests will be shown on, and transfers of Book-Entry Interests or the interests therein will be effected only through, records maintained by DTC, Euroclear or Clearstream, Luxembourg (with respect to the interests of their participants) and on the records of participants or indirect participants (with respect to the interests of their participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability of persons within such jurisdiction or otherwise subject to the laws thereof to own, transfer or pledge Book-Entry Interests.

So long as the Depository or its nominee is the holder of the Global Notes underlying the Book-Entry Interests, the Depository or such nominee, as the case may be, will be considered the sole Noteholder for all purposes under the Note Trust Deed. Except as set forth below under "Issuance of Definitive Notes", participants or indirect participants will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive bearer or registered form and will not be considered the holders thereof under the Note Trust Deed. Accordingly, each person holding a Book-Entry Interest must rely on the rules and procedures of the Depository and DTC, Euroclear or Clearstream, Luxembourg, as the case may be, and indirect participants must rely on the procedures of the participant or indirect participants through which such person owns its interest in the relevant Book-Entry Interests to exercise any rights and obligations of a holder of Notes under the Note Trust Deed (see "Action in Respect of the Global Notes and the Book-Entry Interests" below).

Unlike legal owners or holders of the Notes, holders of the Book-Entry Interests will not have the right under the Note Trust Deed to act upon solicitations by the Issuer of consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book-Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and, if applicable, their participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book-Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of a Note Event of Default (as defined in Condition 10 at page 243) under the Notes, holders of Book-Entry Interests will be restricted to acting through DTC, Euroclear, Clearstream, Luxembourg and the Depository unless and until Definitive Notes are issued in accordance with the Terms and Conditions. There can be no assurance that the procedures to be implemented by DTC, Euroclear and Clearstream, Luxembourg and the Depository under such circumstances will be adequate to ensure the timely exercise of remedies under the Note Trust Deed.

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

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

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

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

Payments on Global Notes

Payment of principal of and interest on the Global Notes will be made to the Depository as the holder thereof. All such amounts will, subject as provided below, be payable by a paying agent, in euro. Upon receipt of any payment of principal of or interest on a Global Note, the Depository will distribute all such payments to (in the case of the Reg S Global Notes and Rule 144A Global Notes held by or on behalf of the Common Depositary) the nominee for the Common Depositary and (in the case of the Rule 144A Global Notes held by or on behalf of DTC) the nominee for DTC. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Depository to the Common Depositary, the

respective systems will promptly credit their participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown in the records of Euroclear or of Clearstream, Luxembourg. In the case of DTC, upon receipt of any payment from the Depository, DTC will promptly credit its participants' accounts with payments in amounts proportionate to their respective ownership of Book-Entry Interests as shown on the records of DTC. The Issuer expects that payments by participants to owners of interests in Book-Entry Interests held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in a "street name", and will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee or any other agent of the Issuer or the Note Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a participant's ownership of Book-Entry Interests or for maintaining, supervising or reviewing any records relating to a participant's ownership of Book-Entry Interests.

DTC is unable to accept payments denominated in euro in respect of the Global Notes. Accordingly, holders of beneficial interests in Rule 144A Global Notes held through DTC who wish payments to be made to them outside DTC must, in accordance with the Depository Agreement, notify DTC not less than 15 days prior to each Note Interest Payment Date (a) that they wish to be paid in euro and (b) of the relevant bank account details into which such euro payments are to be made.

If such instructions are not received by DTC, the Exchange Agent will, pursuant to the Exchange Rate Agency Agreement, exchange the relevant euro amounts for which it has not received contrary instructions from the Depository (acting on the instructions of DTC) into dollars at the highest exchange rate offered for such euro by three recognised foreign exchange dealers (which may include the Exchange Agent) in New York City chosen by the Exchange Agent and approved by the Issuer, and the relevant Noteholders will receive the dollar equivalent of such euro payment converted at such exchange rate. In the event that bid quotations for exchange rates are unavailable, the Exchange Agent will, upon notifying the Issuer, cease to have any further responsibility with respect to such payments. In addition, in certain cases, the appointment of the Exchange Agent may be terminated without a successor being appointed. In such cases, Noteholders may experience delays in obtaining payment.

Information Regarding DTC, Euroclear and Clearstream, Luxembourg

DTC, Euroclear and Clearstream, Luxembourg have informed the Issuer as follows:

DTC is a limited-purpose trust company organised under the New York Banking Law, a "banking organisation" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations, some of whom (and/or their representatives) own DTC.

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream, Luxembourg customers are world-wide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

The Issuer understands that under existing industry practices, if either the Issuer or Note Trustee requests any action of owners of Book-Entry Interests or if an owner of a Book-Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Note Trust Deed, DTC, Euroclear or Clearstream, Luxembourg, as the case may be, would authorise the participants owning the relevant Book-Entry Interests to give instructions or take such action, and such participants would authorise indirect participants to give or take such action or would otherwise act upon the instructions of such indirect participants.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Depository will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the Common Depositary (in the case of a Reg S Global Note and the Rule 144A Global Note held by Euroclear and Clearstream, Luxembourg) and to the nominee of DTC (in the case of a Rule 144A Global Note held by DTC or its nominee) and, upon a final payment, surrender such Global Note to or to the order of a Paying Agent for cancellation. The redemption price payable in connection with the redemption of Book-Entry Interests will be equal to the amount received by the Depository in connection with the redemption of the Global Note (or portion thereof) relating thereto. For any redemptions of a Global Note in part, selection of the Book-Entry Interests relating thereto to be redeemed will be made by DTC, Euroclear or Clearstream, Luxembourg, as the case may be, on a pro rata basis (or on such other basis as DTC, Euroclear or Clearstream, Luxembourg deems fair and appropriate) provided that only Book-Entry Interests in the original principal amount of ε50,000 and integral multiples of ε100 in excess thereof or integral multiples of such original principal amount will be redeemed. Upon any redemption in part, the Depository will cause the relevant Paying Agent to mark down or to cause to be marked down the schedule to such Global Note by the principal amount so redeemed.

Transfer and Transfer Restrictions

All transfers of Book-Entry Interests will be recorded in accordance with the book-entry systems maintained by DTC, Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its participants. See "General" above.

Each Rule 144A Global Note will bear a legend substantially identical to that appearing in paragraph (3) under "Transfer Restrictions", and no Rule 144A Global Note nor any Book-Entry Interest in such Rule 144A Global Note may be transferred except in compliance with the transfer restrictions set forth in such legend. A Book-Entry Interest in a Rule 144A Global Note of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Note of the same class, whether before or after the expiration of the Distribution Compliance Period, only upon receipt by the Depository of a written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made in accordance with Rule 903 or Rule 904 of Reg S or Rule 144 under the Securities Act (if available) and that, if such transfer occurs prior to the expiration of the Distribution Compliance Period, the interest transferred will be held immediately thereafter through Euroclear or Clearstream, Luxembourg.

Each Reg S Global Note will bear a legend substantially identical to that appearing in paragraph (5) under "Transfer Restrictions". Until and including the 40th day after the later of the commencement of the offering of the Notes and the closing date for the offering of the Notes (the "**Distribution Compliance Period**"), Book-Entry Interests in a Reg S Global Note may be held only through Euroclear or Clearstream, Luxembourg, unless transfer and delivery is made through a Rule 144A Global Note of the same class. Prior to the expiration of the Distribution Compliance Period, a Book-Entry Interest in a Reg S Global Note of one class may be transferred to a person who takes delivery in the form of a Book-Entry Interest in a Rule 144A Global Note of the same class only upon receipt by the Depository of written certification from the transferor (in the form provided in the Depository Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is purchasing for its own account or for an account or accounts as to which it exercises sole investment discretion and that such person and such account or accounts is both a qualified institutional buyer within the meaning of Rule 144A (a "**Qualified Institutional Buyer**") and a qualified purchaser within the meaning of Section 2(a)(51) of the Investment Company Act (a "**Qualified Purchaser**"), in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction.

Any Book-Entry Interest in a Reg S Global Note of one class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in a Rule 144A Global Note of the same class will, upon transfer, cease to be represented by a Book-Entry Interest in such Reg S Global Note and will become represented by a Book-Entry Interest in such Rule 144A Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Rule 144A Global Note for as long as it remains such a Book-Entry Interest. Any Book-Entry Interest in a Rule 144A Global Note of one class that is transferred to a person who takes delivery in the form of a Book-Entry Interest in the Reg S Global Note of the same class will, upon transfer, cease to be represented by a Book-Entry Interest in such Rule 144A Global Note and will become represented by a Book-Entry Interest in such Reg S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to Book-Entry Interests in a Reg S Global Note as long as it remains such a Book-Entry Interest.

Issuance of Definitive Notes

Holders of Book-Entry Interests in a Global Note will be entitled to receive Definitive Notes representing Notes of the relevant class in registered form in exchange for their respective holdings of Book-Entry Interests only if:

(i) (in the case of CDIs in Reg S Global Notes and Rule 144A Global Notes held by or on behalf of the Common Depositary) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Trustee is in existence; or

(ii) (in the case of CDIs in Rule 144A Global Notes held by or on behalf of DTC) DTC has notified the Issuer that it is at any time unwilling or unable to continue as the holder with respect to the CDIs, or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Exchange Act and a successor to DTC registered as a clearing agency under the Exchange Act is not appointed by the Issuer within 90 days of such notification or cessation; or

(iii) the Depository notifies the Issuer at any time that it is unwilling or unable to continue as Depository and a successor Depository previously approved by the Trustee in writing is not appointed by the Issuer within 90 days of such notification; or

(iv) as a result of any amendment to, or change in, the laws or regulations of Luxembourg or any other jurisdiction or of any political sub-division thereof or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form.

Any Definitive Notes issued in exchange for Book-Entry Interests in a Global Note will be registered by the Registrar in such name or names as the Depository instructs the Registrar based on the instructions of Euroclear or Clearstream, Luxembourg (in the case of Reg S Global Notes and Rule 144A Global Notes held by or on behalf of the Common Depositary) or DTC (in the case of Rule 144A Global Notes held by and on behalf of DTC). It is expected that such instructions will be based upon directions received by DTC, Euroclear or Clearstream, Luxembourg from their participants with respect to ownership of the relevant Book-Entry Interests. In no event will Definitive Notes be issued in bearer form.

Action in Respect of the Global Notes and the Book Entry Interests

Not later than 10 days after receipt by the Depository of any notices in respect of the Global Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Global Notes or holders of Book-Entry Interests, the Depository will deliver to DTC, Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date DTC, Euroclear and Clearstream, Luxembourg will be entitled to instruct the Depository as to the consent, waiver or other action, if any, pertaining to the Book-Entry Interests or the Global Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of DTC, Euroclear and Clearstream, Luxembourg, as applicable, the Depository is required to endeavour, insofar as practicable, to take such action regarding the requested consent, waiver or other action in respect of the Book-Entry Interests or the Global Notes in accordance with any instructions set forth in such request. DTC, Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under "General" above with respect to soliciting instructions from their respective participants. The Depository will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of the Book-Entry Interests or the Global Notes.

Reports

The Depository will immediately, and in no event later than 10 days from receipt, send to DTC, Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received in relation to the Issuer, the Global Notes or the Book-Entry Interests. All notices regarding the Global Notes will be sent to Euroclear, Clearstream, Luxembourg, DTC and the Depository. In addition (so long as the Notes are admitted to trading on the Irish Stock Exchange and the rules of the Irish Stock Exchange so require), notices regarding the Notes will be published in a leading newspaper having a general circulation in Ireland, which is expected to be The Irish Times and (for so long as the Notes are admitted to the Official List and the rules of the Irish Stock Exchange require) notices regarding the Notes will be notified to the Company Announcement Office.

Action by Depository

Subject to certain limitations, upon the occurrence of a Note Event of Default with respect to the Notes while represented by Global Notes the Depository will notify the holders thereof and, if requested in writing by DTC, Euroclear or Clearstream, Luxembourg, as applicable, (acting on the instructions of their respective participants in accordance with their respective procedures) the Depository will take any such action as requested by them, subject to, if required by the Depository, such reasonable security or indemnity from the participants against the costs, expenses and liabilities that the Depository might properly incur in compliance with such request.

Charges of Depository and Indemnity

The Issuer has agreed to pay all charges of the Depository under the Depository Agreement. The Issuer has also agreed to indemnify the Depository against certain liabilities incurred by it under the Depository Agreement.

Amendment and Termination

The Depository Agreement may be amended by agreement among the Issuer, the Depository and the Note Trustee and without the consent of the holders of Book-Entry Interests (a) to cure any inconsistency, omission, defect or ambiguity in the Depository Agreement; (b) to add to the covenants and agreements of the Depository or the Issuer; (c) to effect the assignment of the Depository's rights and duties to a qualified successor; (d) to comply with the Securities Act, the Exchange Act or the U.S. Investment Company Act 1940, as amended; or (e) to modify, alter, amend or supplement the Depository Agreement in any other manner that is not adverse to the holders of Book-Entry Interests. Except as set forth above, no amendment that adversely affects the holders of the Book-Entry Interests may be made to the Depository Agreement without the consent of the holders of the Book-Entry Interests.

Upon the issuance of Definitive Notes, the Depository Agreement will terminate.

Resignation or Removal of Depository

The Depository may at any time resign as Depository upon 90 days' written notice delivered to each of the Issuer and the Note Trustee. The Issuer may remove the Depository at any time upon 90 day's written notice. No removal of the Depository and no appointment of a successor Depository will become effective until (a) the acceptance of appointment by a successor Depository or (b) the issuance of Definitive Notes.

Obligation of Depository

The Depository will only be liable to perform such duties as are expressly set out in the Depository Agreement. The Depository Agreement contains provisions relieving the Depository from liability and permitting it to refrain from acting in certain circumstances. The Depository Agreement also contains provisions permitting any entity into which the Depository is merged or converted or with which it is consolidated or any successor in business to the Depository to become the successor depository.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form (subject to amendment) in which they will be set out in the Note Trust Deed.

The ε215,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class A Notes**"), the ε27,300,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class B Notes**"), the ε28,700,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class C Notes**"), the ε9,100,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class D Notes**"), the ε10,600,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class E Notes**") and the ε12,200,300 Class F Commercial Mortgage Backed Floating Rate Notes due 2013 (the "**Class F Notes**" and, together with the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, the "**Notes**" (as more fully defined below)) of Khronos (European Loan Conduit No. 17) S.A. (the "**Issuer**") are constituted by a note trust deed dated on or about 12th December, 2003 (the "**Note Trust Deed**"), which expression includes such note trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between the Issuer and HSBC Bank USA (the "**Note Trustee**", which expression includes its successors or any further or other trustee under the Note Trust Deed) as trustee for the holders for the time being of the Notes. Any reference to a "**class**" of Notes or of Noteholders shall be a reference to any, or all of, the respective Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes the Class F Notes or any or all of their respective holders, as the case may be.

The security for the Notes is created pursuant to, and on terms set out in: (a) a pledge, dated 12th December, 2003, governed by French law, granted in favour of the Issuer Security Trustee (acting in its capacity as a security agent), in respect of the French Units (each as defined in the Master Definitions Schedule) (the "**Issuer French Unit Nantissement**", which expression includes such Issuer French Unit Nantissement as from time to time modified in accordance with the provisions therein contained and any document expressed to be supplemental thereto as from time to time so modified), (b) a pledge, dated 12th December, 2003, but effective only as of the Belgian Bond Transfer Date, governed by Belgian law, granted in favour of the Issuer Security Trustee (acting in its capacity as security agent), in respect of the Belgian Bonds (as defined in the Master Definitions Schedule) (the "**Issuer Belgian Bond Pledge Agreement**", which expression includes such Issuer Belgian Bond Pledge Agreement as from time to time modified in accordance with the provisions therein contained and any document expressed to be supplemental thereto as from time to time so modified), (c) a deed of charge and assignment, dated 12th December, 2003, governed by Irish law and granted in favour of the Issuer Security Trustee, in respect of the Irish Notes (as defined in the Master Definitions Schedule) (the "**Issuer Irish Deed of Charge and Assignment**", which expression includes the Issuer Irish Deed of Charge and Assignment as from time to time so modified in accordance with the provisions therein contained and any document expressed to be supplemental thereto as from time to time so modified and, together with the Issuer French Unit Pledge Agreement, the Issuer Belgian Bond Pledge Agreement, the "**Issuer Asset Security Agreements**") and (d) a deed of charge and assignment dated on or about 12th December, 2003 (the "**Issuer Deed of Charge and Assignment**", which expression includes such Issuer Deed of Charge and Assignment as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer and the Issuer Security Trustee. By an agency agreement dated on or about 10th December, 2003 (the "**Agency Agreement**", which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer, the Note Trustee, the Issuer Security Trustee, HSBC Bank plc, in its separate capacities under the same agreement as principal paying agent (the "**Principal Paying Agent**", which expression shall include any other principal paying agent appointed in respect of the Notes), agent bank (the "**Agent Bank**", which expression shall include any other agent bank appointed in respect of the Notes), HSBC Global Investor Services (Ireland) Limited as paying agent in Ireland (the "**Sub-Paying Agent**", which expression shall include any other paying agent appointed in Ireland in respect of the Notes) and HSBC Bank USA as registrar (the "**Registrar**", which expression shall include any other registrar appointed in respect of the Notes) (the Principal Paying Agent being, together with any further or other paying agents for the time being appointed in respect of the Notes, the "**Paying Agents**" and, together with the Agent Bank and the Registrar, the "**Agents**"), provision is made for, among other things, the payment of principal and interest in respect of the Notes.

The statements in these Terms and Conditions (the "**Conditions**" and any reference to a "**Condition**" shall be construed accordingly) include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Agency Agreement, the Issuer Asset Security Agreements, the Issuer Deed of Charge and Assignment, the Depository Agreement, the Exchange Rate Agency Agreement and the Master Definitions Schedule (each as defined below). Copies of the Note Trust Deed, the Agency Agreement, the Issuer Asset Security Agreements, the Issuer Deed of Charge and Assignment, the Depository Agreement, the Exchange

Rate Agency Agreement and the Master Definitions Schedule are available for inspection by the Noteholders at the principal office for the time being of the Note Trustee, being at the date hereof at 452 Fifth Avenue, New York New York 10018, USA, and at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of and definitions contained in the Note Trust Deed, the Agency Agreement, the Issuer Asset Security Agreements, the Issuer Deed of Charge and Assignment, the depository agreement dated on or about 12th December, 2003 between the Issuer, the Note Trustee, the Issuer Security Trustee and HSBC Bank USA, in its capacity as Depository (the "**Depository Agreement**", which expression includes such depository agreement as from time to time so modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified and the "**Depository**", respectively), the exchange rate agency agreement dated on or about 12th December, 2003 between the Issuer, HSBC Bank plc, in its capacity as exchange agent (the "**Exchange Agent**", which expression shall include any other exchange agent appointed in respect of the Notes), the Note Trustee, the Issuer Security Trustee and the Depository (the "**Exchange Rate Agency Agreement**", which expression includes such exchange rate agency agreement as from time to time so modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and a master definitions schedule dated on or about 12th December, 2003, signed for identification purposes by, among others, the Issuer, the Note Trustee and the Issuer Security Trustee (the "**Master Definitions Schedule**", which expression includes such master definitions schedule as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and the documents referred to in each of them.

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on or about 10th December, 2003.

1. Global Notes

(a) Rule 144A Global Notes

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes initially offered and sold in the United States of America (the "**United States**") to qualified institutional buyers (as defined in Rule 144A under the Securities Act ("**Rule 144A**"), "**Qualified Institutional Buyers**") under the United States Securities Act of 1933, as amended, (the "**Securities Act**") in reliance on Rule 144A that are also "qualified purchasers" (as defined in Section 2(a)(51) of the Investment Company Act ("**Qualified Purchasers**") will initially be represented by two separate global notes in bearer form for each class of Note (collectively, the "**Rule 144A Global Notes**"). The Rule 144A Global Notes will be deposited with or to the order of the Depository pursuant to the terms of the Depository Agreement. The Depository will (i) register a certificateless depository interest in respect of one of the Rule 144A Global Notes of each class of Notes in the name of The Depository Trust Company ("**DTC**") or its nominee and (ii) issue a certificated depository interest in respect of the other Rule 144A Global Note of each class of Notes to HSBC Issuer Services Common Depositary Nominee (UK) Limited as nominee on behalf of HSBC Bank plc (the "**Common Depositary**") for the account of Euroclear Bank S.A./N.V. (as operator of the Euroclear System) ("**Euroclear**", which term includes any successor operator of the Euroclear System) and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**").

(b) Reg S Global Notes

The Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes initially offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Regulation S**") will initially be represented by a separate global note in bearer form for each class of Note (collectively, the "**Reg S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). The Reg S Global Notes will each be deposited with or to the order of the Depository pursuant to the terms of the Depository Agreement. The Depository will issue a certificated depository interest in respect of each Reg S Global Note to the Common Depositary for the account of Euroclear and Clearstream, Luxembourg.

(c) Form and Title

Each Global Note will be issued in bearer form without coupons or talons.

The Depository or its nominee shall, for so long as it is holder of the Global Notes and, except as otherwise required by law, be treated as its absolute owner for all purposes (including the making of

any payments), regardless of any notice of ownership, theft or loss thereof, or of any trust or other interest therein or of any writing thereon.

Ownership of interests in the Rule 144A Global Notes ("**Restricted Book-Entry Interests**") will be limited to persons that have accounts with DTC and/or Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants. Ownership of interests in the Reg S Global Notes (the "**Unrestricted Book-Entry Interests**" and, together with the Restricted Book-Entry Interests, the "**Book-Entry Interests**") will be limited to persons who have accounts with Euroclear and/or Clearstream, Luxembourg or persons that hold interests through such participants. Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry by DTC, Euroclear and Clearstream, Luxembourg and their participants and in accordance with the provisions of the Depository Agreement.

2. Definitive Notes

(a) Issue of Definitive Notes

A Global Note will be exchanged for definitive Notes of the relevant class in registered form ("**Definitive Notes**") in an aggregate principal amount equal to the Principal Amount Outstanding (as defined in Condition 6(*e*)) of the relevant Global Note only if, 40 days or more after the Closing Date, any of the following circumstances apply:

(i) in the case of a Reg S Global Note or a Rule 144A Global Note in respect of which the Depository has issued a certificated depository interest to Euroclear or Clearstream, Luxembourg or the Common Depositary (or its nominee) for their account, either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Note Trustee is in existence; or

(ii) in the case of a Rule 144A Global Note in respect of which the Depository has registered a certificateless depository interest in the name of DTC or its nominee, DTC has notified the Issuer that it is unwilling or unable to continue as the holder with respect to such certificateless depository interest, or is at any time unwilling or unable to continue as, or ceases to be, a clearing agency registered under the Securities Exchange Act of 1934 of the United States of America (the "**Exchange Act**") and a successor to DTC registered as a clearing agency under the Exchange Act is not appointed by the Issuer within 90 days of such notification or cessation; or

(iii) the Depository notifies the Issuer at any time that it is unwilling or unable to continue as depository and a successor to the Depository previously approved by the Note Trustee in writing is not appointed by the Issuer within 90 days of such notification; or

(iv) as a result of any amendment to, or change in, the laws or regulations of Luxembourg or any other jurisdiction or any political sub-division thereof or of any authority therein or thereof having the power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required if the Notes were in definitive registered form.

If Definitive Notes are issued, the Book-Entry Interests represented by the Reg S Global Note of each class will be exchanged by the Issuer for Definitive Notes ("**Reg S Definitive Notes**") of that class and the Book-Entry Interests represented by each Rule 144A Global Note of each class will be exchanged by the Issuer for Definitive Notes ("**Rule 144A Definitive Notes**") of that class. The aggregate principal amount of the Reg S Definitive Notes and the Rule 144A Definitive Notes of each class will be equal to the Principal Amount Outstanding of the Reg S Global Note or, as the case may be, the Rule 144A Global Notes of the corresponding class, subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Depository Agreement, the Note Trust Deed and the relevant Global Note.

(b) Title to and Transfer of Definitive Notes

Title to a Definitive Note will pass upon registration in the register which the Issuer will procure to be kept by the Registrar. A Definitive Note will have an original principal amount of ε50,000 or any integral multiple of ε100 in excess thereof and will be serially numbered. Definitive Notes may be transferred in whole or in part (provided that any partial transfer relates to a Definitive Note in the

original principal amount of ε50,000 or any integral multiple of ε100 in excess thereof upon surrender of the relevant Definitive Note, with the form of transfer endorsed on it duly completed and executed, at the specified office of the Registrar. In the case of a transfer of part only of a Definitive Note, a new Definitive Note in respect of the balance not transferred will be issued to the transferor. All transfers of Definitive Notes are subject to any restrictions on transfer set forth in such Definitive Notes and the detailed regulations concerning transfers in the Agency Agreement.

Each new Definitive Note to be issued upon transfer of a Definitive Note will, within five Business Days (as defined in Condition 5(*b*)) of receipt at the specified office of the Registrar of such Definitive Note (duly endorsed) for transfer, be available for delivery at the specified office of the Registrar or be posted at the risk of the holder entitled to such new Definitive Note to such address as may be specified in the form of transfer.

Registration of a Definitive Note on transfer will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment of (or the giving of such indemnity as the Registrar may require in respect of) any tax or other government charges which may be imposed in relation to it.

No transfer of a Definitive Note will be registered in the period beginning fifteen Business Days before, or ending on the fifth Business Day after, each Note Interest Payment Date (as defined in Condition 5(*b*)).

(c) "**Noteholders**" means (i) in respect of each Global Note, the bearer thereof, and (ii) in respect of a Definitive Note issued under Condition 2(*a*) above, the person in whose name such Definitive Note is registered, subject as provided in Condition 7(*b*); and related expressions are to be construed accordingly.

(d) References to "**Notes**" include the Global Notes and the Definitive Notes.

3. Status, Security and Priority

(A) Status and relationship between the Notes

(a) The Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures each of the Notes. The Notes of each class rank *pari passu* without preference or priority among themselves.

(b) As between the classes of the Notes, in the event of the Issuer Security (as defined in the Master Definitions Schedule) being enforced, the Class A Notes will rank higher in priority to the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes; the Class B Notes will rank higher in priority to the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes; the Class C Notes will rank higher in priority to the Class D Notes, the Class E Notes and the Class F Notes; the Class D Notes will rank higher in priority to the Class E Notes and the Class F Notes and the Class E Notes will rank higher in priority to the Class F Notes. Save as described in Condition 6, prior to enforcement of the Issuer Security, payments of principal of and interest on the Class F Notes will be subordinated to payments of principal of and interest on, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes; payments of principal and interest on, Class E Notes will be subordinated to payments of principal of and interest on the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes; payments of principal of and interest on the Class D Notes will be subordinated to payments of principal of and interest on the Class A Notes, the Class B Notes and the Class C Notes; payments of principal of and interest on the Class C Notes will be subordinated to payments of principal of and interest on the Class A Notes and the Class B Notes; payments of principal of and interest on the Class B Notes will be subordinated to payments of principal of and interest on the Class A Notes.

(c) The Note Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the holders of Class A Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise), provided that (except in the case of an Extraordinary Resolution relating to the appointment or termination of the appointment of the Special Collateral Manager, in which case the Controlling Class, as defined in Condition 4(*C*), will prevail):

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

(A) holders of the Class A Notes (the "**Class A Noteholders**") (for so long as the Class A Notes are outstanding (as defined in the Note Trust Deed)); and

(B) holders of the Class B Notes (the "**Class B Noteholders**") and/or holders of the Class C Notes (the "**Class C Noteholders**") and/or holders of the Class D Notes (the "**Class D Noteholders**") and/or holders of the Class E Notes (the "**Class E Noteholders**") and/or holders of the Class F Notes (the "**Class F Noteholders**")

then the Note Trustee shall have regard only to the interests of the Class A Noteholders;

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

(A) the Class B Noteholders (for so long as the Class B Notes are outstanding as defined in the Note Trust Deed); and

(B) the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders,

then the Note Trustee shall, subject to (i) above, have regard only to the interests of the Class B Noteholders;

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

(A) the Class C Noteholders (for so long as the Class C Notes are outstanding as defined in the Note Trust Deed); and

(B) the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders;

then the Note Trustee shall, subject to (i) and (ii) above, have regard only to the interests of the Class C Noteholders;

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

(A) the Class D Noteholders (for so long as any Class D Notes are outstanding as defined in the Note Trust Deed); and

(B) the Class E Noteholders and/or the Class F Noteholders,

then the Note Trustee shall, subject (i), (ii) and (iii) above, have regard only to the interests of the Class D Noteholders.

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

(A) the Class E Noteholders (for so long as any Class E Notes are outstanding as defined in the Note Trust Deed); and

(B) the Class F Noteholders,

then the Note Trustee shall, subject to (i), (ii), (iii), and (iv) above, have regard only to the interests of the Class E Noteholders.

(d) The Note Trust Deed contains provisions limiting the powers of (i) the Class B Noteholders, among other things, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Note Trust Deed) according to the effect thereof on the interests of the Class A Noteholders, (ii) the Class C Noteholders, among other things, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders or the Class B Noteholders, (iii) the Class D Noteholders, among other things, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders, the Class B Noteholders or the Class C Noteholders, (iv) the Class E Noteholders, among other things, to request or direct the Note Trustee to take any action or pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders or the Class D Noteholders and (v) the Class F Noteholders, among other things, to request or direct the

Note Trustee to take any action or pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders or the Class E Noteholders. Except in certain circumstances, the Note Trust Deed contains no such limitation on the powers of the Class A Noteholders, the exercise of which powers will be binding on the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders and/or the Class F Noteholders, irrespective of the effect thereof on their interests. Except in certain circumstances, the exercise of their powers by (i) the Class B Noteholders will be binding on the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders, irrespective of the effect thereof on their interests, (iii) the Class C Noteholders will be binding on the Class D Noteholders, the Class E Noteholders and the Class F Noteholders, irrespective of the effect thereof on their interests and (iv) the Class D Noteholders will be binding on the Class E Noteholders and the Class F Noteholders, irrespective of the effect thereof on their interests and (v) the Class E Noteholders will be binding on the Class F Noteholders.

(B) Security and Priority of Payments

The security in respect of the Notes is set out in the Issuer Asset Security Agreements and the Issuer Deed of Charge and Assignment. The Issuer Deed of Charge and Assignment also contains provisions regulating the priority of application of the Available Issuer Interest Receipts (as defined in the Master Definitions Schedule) and Available Issuer Principal Receipts (as defined in the Master Definitions Schedule) among the persons entitled thereto prior to the service of a Note Enforcement Notice (as defined in Condition 10(*a*)), and of the Available Issuer Interest Receipts, the Available Issuer Principal Receipts and the proceeds of enforcement or realisation of the Issuer Security by the Issuer Security Trustee (acting, where relevant, in its capacity as security agent in relation to the Issuer Asset Security Agreements) after the service of a Note Enforcement Notice.

The Issuer Security may be enforced following the service of a Note Enforcement Notice provided that, if the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Issuer Security Trustee (acting, where relevant, in its capacity as security agent in relation to the Issuer Asset Security Agreements) will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge and Assignment to be paid *pari passu* with, or in priority to, the Notes, or (ii) the Issuer Security Trustee is of the opinion, which will be binding on the Noteholders, reached after considering at any time and from time to time the advice, upon which the Issuer Security Trustee will be entitled to rely, of such professional advisers as are selected by the Issuer Security Trustee, that the cash-flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge and Assignment to be paid *pari passu* with, or in priority to, the Notes, or (iii) the Issuer Security Trustee determines that not to effect such disposal would place the Issuer Security in jeopardy, and, in any event, the Issuer Security Trustee has been indemnified to its satisfaction.

If the net proceeds of realisation of, or enforcement with respect to, the Issuer Security are not sufficient to make all payments due in respect of the Notes, the other assets (if any) of the Issuer, other than any surplus arising on the realisation of or enforcement with respect to any remaining security, will not be available for payment of any shortfall arising therefrom, and any such shortfall will be borne in accordance with the provisions of Condition 16 and the Issuer Deed of Charge and Assignment. All claims in respect of such shortfall, after realisation of or enforcement with respect to all of the Issuer Security, will be extinguished and the Note Trustee, the Noteholders and the other Issuer Secured Parties will have no further claim against the Issuer in respect of such unpaid amounts. Each Noteholder, by subscribing for or purchasing Notes, is deemed to accept and acknowledge that it is fully aware that (i) in the event of an enforcement of the Issuer Security, its right to obtain payment of interest and repayment of principal on the Notes in full is limited to recourse against the assets of the Issuer comprised in the Issuer Security, (ii) the Issuer will have duly and entirely fulfilled its payment obligations by making available to such Noteholder its proportion of the proceeds of realisation or enforcement of the Issuer Security in accordance with the Issuer Deed of Charge and Assignment, and all claims in respect of any shortfall shall be extinguished, and (iii) in the event that a shortfall in the amount available to pay principal of the Notes of any class exists on the Note Interest Payment Date falling in February 2013 (the "**Final Note Interest Payment Date**") or on any earlier redemption in full of the Notes or the relevant class of Notes, after payment on the Final Note Interest Payment Date or such date of earlier redemption of all other claims ranking higher in priority to or *pari passu* with the Notes or the relevant class of Notes and after the realisation by the Issuer of all assets the subject of or forming the Issuer Security, and the Issuer Security has not become enforceable as at such date, the liability of the Issuer to make any payment in respect of such shortfall shall cease and all claims in respect of such shortfall shall be extinguished.

4. Covenants

(A) Restrictions

Unless (i) the Note Trustee grants its prior written consent (which it shall only do if so required by an Extraordinary Resolution of the holders of the most senior class of Notes then outstanding), or (ii) otherwise provided in or envisaged by these Conditions or the Transaction Documents (as defined in the Master Definitions Schedule), the Issuer shall not, so long as any Note remains outstanding:

(a) Negative Pledge

create or permit to subsist any mortgage, sub-mortgage, assignment, assignation, charge, sub-charge, pledge, lien (unless arising by operation of law), hypothecation or other security interest whatsoever over any of the Issuer Assets;

(b) Restrictions on Activities

(i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;

(ii) have any subsidiaries or any employees or own, rent, lease or be in possession of any buildings or equipment;

(iii) amend, supplement or otherwise modify its constitutive documents; or

(iv) engage, or permit any of its affiliates, to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under United States federal income tax principles, and hold, or permit any of its affiliates to hold, any mortgaged property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States federal income tax principles;

(c) Disposal of Assets

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of the Issuer Assets or any interest therein other than in accordance with the provisions of the Transaction Documents;

(d) Dividends or Distributions

pay any dividend or make any other distribution to its shareholders or issue any further shares;

(e) Borrowings

incur or permit to subsist any indebtedness in respect of borrowed money secured over the Issuer Assets, except in respect of the Notes, the Swap Transactions (as defined in the Master Definitions Schedule) or the Liquidity Facility Agreement (as defined in the Master Definitions Schedule) or give any guarantee or indemnity secured over the Issuer Assets in respect of any indebtedness or of any obligation of any person;

(f) Merger

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person; and

(g) Bank Accounts

have an interest in any bank account into which the proceeds of the Issuer Assets are paid, other than the Issuer's Accounts (as defined in the Master Definitions Schedule), unless such account or interest therein is charged to the Issuer Security Trustee on terms acceptable to it.

In giving any consent to the foregoing, the Note 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 Note Trustee may deem expedient (in its absolute discretion) in the interests of the

Noteholders, provided that each of the Rating Agencies (as defined in Condition 15) has provided written confirmation to the Note Trustee that the then applicable ratings of each class of Notes then rated thereby will not be qualified, downgraded or withdrawn as a result of such modifications or additions.

(B) Cash Manager and Collateral Manager

So long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a cash manager in respect of the monies from time to time standing to the credit of the Issuer Transaction Account (as defined in the Master Definitions Schedule) and any other account of the Issuer from time to time and a collateral manager. Neither the Cash Manager nor the Collateral Manager (each as defined in the Master Definitions Schedule) will be permitted to terminate its appointment unless a replacement cash manager or collateral manager, as the case may be, acceptable to the Issuer and the Issuer Security Trustee has been appointed. The appointment of the Cash Manager and the Collateral Manager may be terminated by the Issuer Security Trustee if, among other things, the Cash Manager or the Collateral Manager, as applicable, defaults in any material respect (in the case of the Collateral Management Agreement) or in any respect (in the case of the Cash Management Agreement) in the observance and performance of any obligation imposed on it under the Collateral Management Agreement or the Cash Management Agreement, as applicable, which default is not remedied (i) within fifteen Business Days, in the case of the Cash Management Agreement, after the earlier of the Cash Manager becoming aware of such default and written notice of such default being served on the Cash Manager by the Issuer Security Trustee (except in respect of a failure by the Cash Manager to make when due a payment required to be made by the Cash Manager on behalf of the Issuer, in which case the appointment of the Cash Manager may be terminated immediately), or (ii) within thirty Business Days, in the case of the Collateral Management Agreement, after written notice of such default shall have been served on the Collateral Manager by the Issuer or the Issuer Security Trustee.

(C) Special Collateral Manager

Upon being required to do so by an Extraordinary Resolution (as defined in Condition 12(b) of the Controlling Class, the Note Trustee shall, subject to the requirements of the Collateral Management Agreement regarding the appointment of a substitute, issue an instruction to the Issuer Security Trustee to terminate the appointment of the person then acting as the Special Collateral manager (as defined in the Master Definitions Agreement) and replace such person with a Special Collateral Manager who is acceptable to the Controlling Class. In these Conditions, the "**Controlling Class**" means the holders of the most junior class of Notes outstanding from time to time, which class has a Principal Amount Outstanding that is not less than 25 per cent. of that class' original Principal Amount Outstanding on the Closing Date (as defined below); provided, however, that if no class of Notes has a Principal Amount Outstanding that satisfies this requirement (whether by reason of the allocation of Applicable Principal Losses, redemption of such Notes or otherwise), then the "Controlling Class" will be the holders of the most junior class of Notes then outstanding that has a Principal Amount Outstanding that is greater than zero.

(D) Operating Adviser

The Controlling Class may, by an Extraordinary Resolution passed by such Controlling Class, appoint a person (other than a Noteholder) to act as an adviser (the "**Operating Adviser**") with whom the Collateral Manager or Special Collateral Manager, as the case may be, will be required to liaise in accordance with the Collateral Management Agreement. Upon such Extraordinary Resolution being passed, the Note Trustee will notify the Collateral Manager and the Special Collateral Manager of the identity of the Operating Adviser so appointed.

5. Interest

(a) Period of Accrual

Each Note will bear interest on its Principal Amount Outstanding from (and including) 12th December, 2003 (the "**Closing Date**"). Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before as well as after any judgment) at the rate applicable to such Note up to (but excluding) the date on which, on presentation of such Note, payment in full of the relevant amount of principal, together with the interest accrued thereon, is made or (if earlier) the seventh day after notice is duly given to the holder thereof (either in accordance with Condition 15 or individually) that, upon presentation thereof being duly made, such payment will be made, provided that upon presentation thereof being duly made, payment is in fact made.

(b) Note Interest Payment Dates and Note Interest Periods

Subject to Condition 16(*a*), interest on the Notes is payable quarterly in arrear in euro on the 18th day of February, May, August and November in each year (or, if such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day) (each a "**Note Interest Payment Date**") in respect of the Note Interest Period ending immediately prior thereto. The first Note Interest Payment Date in respect of each class of Notes will be the Note Interest Payment Date falling in February, 2004.

In these Conditions, "**Note Interest Period**" means the period from (and including) a Note Interest Payment Date (or, in respect of the payment of the first Note Interest Amount (as defined in Condition 5*(d)* below), the Closing Date) to (but excluding) the next following Note Interest Payment Date (or, in respect of the payment of the first Note Interest Amount, the Note Interest Payment Date falling in February, 2004) and "**Business Day**", in these Conditions (other than Condition 6 and Condition 7), means a day (other than a Saturday or a Sunday) which is a Target Settlement Date (as defined in the Master Definitions Schedule) and a day on which commercial banks are open for general business in New York, London and Dublin.

(c) Rate of Interest

Subject, in the case of the Class E Notes and the Class F Notes, to Condition 5(*i*) below, the rates of interest payable from time to time in respect of each class of Notes (each a "**Rate of Interest**") will be determined by the Agent Bank on a date which is two Business Days prior to each Note Interest Payment Date or, in the case of the first Note Interest Period, two Business Days prior to the Closing Date (each a "**Note Interest Determination Date**").

Each Rate of Interest for the Note Interest Period next following the relevant Note Interest Determination Date shall be the aggregate of:

(i) the Relevant Margin (as defined below); and

(ii) (1) the arithmetic mean of the offered quotations to leading banks (rounded to five decimal places with the mid-point rounded up) for three month euro deposits in the Euro-zone inter-bank market which appear on Telerate Screen Page No. 248 (the "**Screen Rate**") (rounded to five decimal places with the mid-point rounded up) (or (i) such other page as may replace Telerate Screen Page No. 248 on that service for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Note Trustee) as may replace the Telerate Monitor) at or about 11.00 a.m. (Brussels time) on the relevant Note Interest Determination Date; or

(2) if the Screen Rate is not then available, the arithmetic mean (rounded to five decimal places with the mid-point rounded up) of the rates notified to the Agent Bank at its request by each of the Reference Banks (as defined in Condition 5*(h)* below) as the rate at which three month euro deposits in an amount of ε10,000,000 are offered for the same period as that Note Interest Period by that Reference Bank to leading banks in the Euro-zone inter-bank market at or about 11.00 a.m. (Brussels time) on the relevant Note Interest Determination Date. If on any such Note Interest Determination Date, two or three only of the Reference Banks provide such offered quotations to the Agent Bank, the relevant rate will be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Note Interest Determination Date, only one or none of the Reference Banks provide the Agent Bank with such an offered quotation, the Agent Bank will forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks are in the opinion of the Note Trustee suitable for such purpose) and the rate for the Note Interest Period in question will be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the rate for the relevant Note Interest Period will be the Screen Rate in effect for the last preceding Note Interest Period to which sub-paragraph (1) of the foregoing provisions of this sub-paragraph (ii) shall have applied.

For the purposes of these Conditions the "**Relevant Margin**" shall be:

(A) in respect of the Class A Notes, 0.38 per cent. per annum;

(B) in respect of the Class B Notes, 0.60 per cent. per annum;

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

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

(E) in respect of the Class E Notes, 2.25 per cent. per annum; and

(F) in respect of the Class F Notes, 3.00 per cent. per annum.

There shall be no minimum or maximum Rate of Interest.

(d) Determination of Rates of Interest and Calculation of Note Interest Amounts for Notes

The Agent Bank shall, on or as soon as practicable after each Note Interest Determination Date, determine and notify the Issuer, the Note Trustee, the Cash Manager and the Paying Agents in writing of (i) the Rate of Interest applicable to the Note Interest Period beginning on and including the immediately succeeding Note Interest Payment Date (or, in respect of the first Note Interest Amount, the Closing Date) in respect of the Notes of each class, and (ii) the euro amount (the "**Note Interest Amount**") payable, subject to Condition 16(*a*) and Condition 5(*i*), in respect of such Note Interest Period in respect of the Notes of each class. Each Note Interest Amount in respect of the Notes shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding of the Notes of each class, multiplying such sum by the actual number of days in the relevant Note Interest Period divided by 360 and rounding the resultant figure downward to the nearest 0.01 euro (euro 0.005 being rounded up).

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

As soon as practicable after receiving notification thereof, the Issuer shall cause the Rate of Interest and Note Interest Amount applicable to the Notes of each class for each Note Interest Period and the Note Interest Payment Date in respect thereof to be notified in writing to the Irish Stock Exchange Limited (the "**Irish Stock Exchange**") (for so long as the Notes are listed on the Irish Stock Exchange) and shall cause notice thereof to be given to the Noteholders in accordance with Condition 15. The Note Interest Amounts and Note Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Note Interest Period for the Notes or in the circumstances referred to in Condition 5(*i*).

(f) Determination or Calculation by the Note Trustee

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Note Interest Amount for each class of the Notes in accordance with the foregoing Conditions, the Note Trustee shall (i) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and/or (as the case may be), (ii) calculate the Note Interest Amount for each class of the Notes in the manner specified in Condition 5*(d)* above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(g) Notifications to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Note Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Note Trustee, the Issuer Security Trustee, the Collateral Manager, the Special Collateral Manager, the Cash Manager, the Paying Agents and all Noteholders and (in such absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank, the Note Trustee, the Issuer Security Trustee, the Collateral Manager, the Special Collateral Manager, the Cash Manager or the Paying Agents in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

(h) Reference Banks and Agent Bank

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there are, at all times, four Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of four major banks in the Euro-zone interbank market (the "**Reference Banks**") chosen by the Agent Bank. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may have been previously approved in writing by the Note Trustee to act as such in its place. Any purported resignation by the Agent Bank shall not take effect until a successor so approved by the Note Trustee has been appointed.

(i) Interest on the Class E Notes and the Class F Notes

The interest due and payable on the Class E Notes and the Class F Notes is subject, on any Note Interest Payment Date, to a maximum amount equal to the lesser of (i) the Note Interest Amount in respect of such class of Notes, as calculated pursuant to Condition 5(*d*), and (ii) the amount (the "**Adjusted Note Interest Amount**") equal to (x) the Available Issuer Interest Receipts (as defined in the Master Definitions Schedule) in respect of such Note Interest Payment Date (including, for the avoidance of doubt, the amount available for drawing by way of Interest Drawings and Accrued Interest Drawings (each as defined in the Master Definitions Schedule) under the Liquidity Facility Agreement on such Note Interest Payment Date) minus (y) the sum of all amounts payable out of Available Issuer Interest Receipts on such Note Interest Payment Date in priority to the payment of interest on such class of Notes in accordance with the Issuer Deed of Charge and Assignment. If the difference between the Note Interest Amount and the Adjusted Note Interest Amount applicable to the Class E Notes or the Class F Notes, as applicable, is attributable to a reduction in the interest-bearing balance of the Originated Assets as a result of prepayments, the debt that would otherwise be represented by such difference shall be extinguished on such Note Interest Payment Date, and the affected Noteholders shall have no claim against the Issuer in respect thereof.

6. Redemption and Cancellation

(a) Final Redemption

Unless previously redeemed in full and cancelled as provided in this Condition 6, the Issuer shall redeem the Notes at their Principal Amount Outstanding together with accrued interest on the Note Interest Payment Date falling in February 2013.

The Issuer may not redeem Notes in whole or in part prior to that date except as provided in this Condition but without prejudice to Condition 10.

(b) Mandatory Redemption in Part from Available Issuer Principal Receipts

Subject as provided in Conditions 6*(c)* and 6*(d)*, prior to the service of a Note Enforcement Notice and subject as provided below, the Notes shall be subject to mandatory redemption in part on each Note Interest Payment Date, in accordance with the priority of payments set out in this Condition 6(*b*) under "Application of Available Sequential Issuer Principal Receipts" and "Application of Available Pro Rata Issuer Principal Receipts" below, if on the Note Calculation Date (as defined below) relating thereto there are any Available Issuer Principal Receipts (as defined below), after paying any and all amounts payable out of such funds in priority to payments on such class of Notes, and if the amount of such Available Issuer Principal Receipts, after paying any and all amounts payable out of such funds in priority to payments on such class of Notes, is not less than ε1.

The "**Note Calculation Date**" means the second Business Day prior to the relevant Note Interest Payment Date save in respect of the Note Interest Payment Date falling in February 2013 when it means the actual Note Interest Payment Date in February 2013.

For the purposes of these Conditions:

(A) "**Issuer Asset Principal Receipts**" means the aggregate amount of Belgian Principal Receipts, French Available Principal Receipts, Irish Available Principal Receipts and Collateral Manager Principal Payments (each as defined in the Master Definitions Schedule) received by or on behalf of the Issuer in respect of the Issuer Assets (as defined in the Master Definitions Schedule) and "**Available Issuer Principal Receipts**" means, in respect of any Note Calculation Date, the sum of:

(i) the Issuer Asset Principal Receipts received by or on behalf of the Issuer during the period from (and including) the preceding Note Calculation Date to (but excluding) such Note Calculation Date (or, if applicable, in the case of the first Note Calculation Date, the period from (and including) the Closing Date to (but excluding) such first Note Calculation Date) (each a "**Note Collection Period**"); **plus**

(ii) the aggregate principal amount available for drawing by way of Principal Drawings under the Liquidity Facility Agreement in respect of Scheduled Principal Receipts falling due during the Note Collection Period ended on such Note Calculation Date and unpaid; **plus**

(iii) in respect of the Note Calculation Date next following the Belgian Bond Transfer Date only, if for any reason the Originator fails to deliver the Belgian Bonds to the Issuer in accordance with the Belgian Bond Sale Agreement, all amounts credited to the Escrow Account that do not constitute Available Issuer Interest Receipts; **less**

(iv) the aggregate amount of Issuer Asset Principal Receipts applied by the Issuer in respect of any Issuer Priority Payments (as defined in the Master Definitions Schedule) during that Note Collection Period in accordance with the Issuer Deed of Charge and Assignment but, only to the extent that such moneys have not been taken into account in the calculation of Available Issuer Principal Receipts on any preceding Note Calculation Date; **less**

(v) an amount equal to the aggregate of:

(a) one per cent. of the aggregate of any French Principal Recovery Funds, any Irish Principal Recovery Funds and any Belgian Principal Recovery Funds recovered by or on behalf of the French Issuer, the Irish Issuer and the Issuer, respectively, during the related Note Collection Period which are to be applied towards the payment of the Liquidation Fees, if any, payable on such Note Interest Payment Date, and

(b) up to one per cent. of the French Amortisation Funds, French Prepayment Redemption Funds and French Final Redemption Funds received by or on behalf of the French Issuer during the related Note Collection Period in respect of any French Loan while it was a Corrected Loan; and

(c) up to one per cent. of the Irish Amortisation Funds, Irish Prepayment Redemption Funds and Irish Final Redemption Funds received by or on behalf of the Irish Issuer during the related Note Collection Period in respect of either Irish Loan while it was a Corrected Loan; and

(d) up to one per cent. of the Belgian Bond Amortisation Funds, Belgian Prepayment Redemption Funds and Belgian Final Redemption Funds received by or on behalf of the Issuer during the related Note Collection Period in respect of the Belgian Bonds while it was a Corrected Loan;

(B) "**Available Pro Rata Issuer Principal Receipts** " means in respect of any Note Calculation Date, 50 per cent. of all Available Issuer Principal Receipts attributable to French Prepayment Redemption Funds, Irish Prepayment Redemption Funds, Belgian Bond Prepayment Redemption Funds, French Final Redemption Funds, Irish Final Redemption Funds and Belgian Bond Final Redemption Funds; and

(C) "**Available Sequential Issuer Principal Receipts**" means in respect of any Note Calculation Date, an amount equal to all Available Issuer Principal Receipts less an amount equal to 50 per cent. of all Available Issuer Principal Receipts attributable to French Prepayment Redemption Funds, Irish Prepayment Redemption Funds, Belgian Bond Prepayment Redemption Funds, French Final Redemption Funds, Irish Final Redemption Funds and Belgian Bond Final Redemption Funds,

but, in each case, only to the extent that such moneys have not been taken into account in the calculation of such amounts on any preceding Note Calculation Date.

I. Application of Available Sequential Issuer Principal Receipts

Available Sequential Issuer Principal Receipts determined on each Note Calculation Date shall be applied, on the immediately following Note Interest Payment Date in the following order of priority:

(i) **first**, in repaying or paying any amount due or overdue in respect of the repayment of any Principal Drawings (as defined in the Master Definitions Schedule) then outstanding under and in accordance with the Liquidity Facility Agreement (as defined in the Master Definitions Schedule);

(ii) **second**, in paying principal on the Class A Notes until all the Class A Notes have been redeemed in full;

(iii) **third**, in paying principal on the Class B Notes until all the Class B Notes have been redeemed in full;

(iv) **fourth**, in paying principal on the Class C Notes until all the Class C Notes have been redeemed in full;

(v) **fifth**, in paying principal on the Class D Notes until all the Class D Notes have been redeemed in full;

(vi) **sixth**, in paying principal on the Class E Notes until all the Class E Notes have been redeemed in full;

(vii) **seventh**, in paying principal on the Class F Notes until all the Class F Notes have been redeemed in full;

(viii) **eighth**, in paying that component of the Supplemental Collateral Management Fee (as defined in the Master Definitions Schedule) comprising excess Available Sequential Issuer Principal Receipts; and

(ix) **ninth**, in paying any surplus to the Issuer.

II. Application of Available Pro Rata Issuer Principal Receipts

Following application of Available Sequential Issuer Principal Receipts as set forth immediately above, the Available Pro Rata Issuer Principal Receipts determined on each Note Calculation Date shall be applied, on the immediately following Note Interest Payment Date in the following order of priority:

(i) **first**, in repaying or paying any amount due or overdue in respect of the repayment of any Principal Drawings (as defined in the Master Definitions Schedule) then outstanding under and in accordance with the Liquidity Facility Agreement (as defined in the Master Definitions Schedule);

(ii) **second**, *pari passu* and *pro rata*, in repaying concurrently according to the Principal Outstanding of the Notes on the Closing Date, principal on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes until each such Note has been redeemed in full and, to the extent that a prior-ranking class of Notes has been redeemed in full, the Available Pro Rata Issuer Principal Receipts that would otherwise have been applied to redeem such prior-ranking Notes shall be applied in redeeming the next most senior class of Notes outstanding;

(iii) **third**, in paying that component of the Supplemental Collateral Management Fee (as defined in the Master Definitions Schedule) that comprises excess Available Pro Rata Issuer Principal Receipts; and

(iv) **fourth**, in paying any surplus to the Issuer,

provided that, in the event that any of the following circumstances exist on a Note Calculation Date, on the next following Note Interest Payment Date, Available Pro Rata Issuer Principal Receipts shall be applied concurrently with, and in the same order of priority as, Available Sequential Issuer Principal Receipts as set out in (i) to (viii) of "Application of Available Sequential Principal" above, all as more fully set out in the Issuer Deed of Charge and Assignment:

(A) there is any event of default subsisting under any French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Document on such Note Calculation Date; or

(B) the cumulative percentage of Loans (calculated by reference to the principal amount outstanding of the Loans as at the Cut-Off Date) which have defaulted since the Closing Date is greater than 15 per cent. of the aggregate principal amount outstanding of the Loans as at the Cut-Off Date; provided that, in determining whether a Loan has defaulted for the purposes of this paragraph (B):

(1) such determination shall be made solely on the basis of the terms of the relevant French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Document as at the Closing Date and without regard to any subsequent amendments to the relevant French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Document, or waivers granted in respect thereof; and

(2) a default shall not be deemed to have occurred if (a) the default is with respect to payment and such default has been remedied or cured within five Business Days of such default, and/or (b) the default is other than with respect to payment, the default of capable of being remedied or cured by the Borrower and such default has been remedied or cured within 30 days of such default being notified in accordance with the terms of the relevant French Loan Agreement, Irish Loan Agreement or Belgian Bond Issue Documents, and/or (c) enforcement procedures have been completed and the principal amount outstanding of all amounts of interest, fees, expenses and any other amounts payable by the relevant Borrower in respect of such defaulted Loan have been received in full or the relevant Borrower has prepaid the defaulted Loan in full (including, for the avoidance of doubt, all amounts of interest, fees, expenses and other amounts payable by the relevant Borrower in respect of such defaulted Loan); or

(C) there has been any loss incurred by the Noteholders since the Closing Date resulting from a failure to repay principal of, or pay interest on, any Note on the due date for such payment; or

(D) the aggregate Principal Amount Outstanding of all the Notes on such Note Calculation Date is less than 20 per cent. of their Principal Amount Outstanding as at the Closing Date.

(c) Mandatory Redemption for Tax or Other Reasons

If the Issuer at any time satisfies the Note Trustee immediately prior to giving the notice referred to below that by virtue of a change in the tax law of Luxembourg or any other jurisdiction (or the application or official interpretation thereof) from that in effect on the Closing Date, on the next Note Interest Payment Date the Issuer or any Paying Agent on its behalf would be required to deduct or withhold from any payment of principal or interest in respect of any Note (other than (i) where the relevant holder or beneficial owner has some connection with the relevant jurisdiction other than the holding of Notes, or (ii) other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the relevant jurisdiction (or any political sub-division thereof or authority thereof or therein having power to tax) and such requirement cannot be avoided by the Issuer taking reasonable measures available to it and the Issuer has, prior to giving the notice referred to below, certified to the Note Trustee that either (x) it will have the necessary funds on such Note Interest Payment Date to discharge all of its liabilities in respect of the Notes to be redeemed under this Condition 6(*c*) and any amounts required under the Issuer Deed of Charge and Assignment to be paid in priority to, or *pari passu* with, the Notes to be so redeemed, or (y) it will have sufficient funds to discharge all of the amounts referred to in (x) above other than such amounts in respect of the most junior class of Notes then outstanding, and that the Issuer has obtained the written consent of the Note Trustee and all of the Noteholders of such lowest class of Notes to the redemption at such lower amount, which certificate shall be conclusive and binding, and provided that, on the Note Interest Payment Date on which such notice expires, no Note Enforcement Notice has been served, then the Issuer shall on any Note Interest Payment Date on which the relevant event described above is continuing, having given not more than 60 nor less than 30 days' written notice ending on such Note Interest Payment Date to the Note Trustee, the Paying Agents and to the Noteholders in accordance with Condition 15, redeem:

(A) all Class A Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A Notes plus interest accrued and unpaid thereon; and

(B) all Class B Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class B Notes plus interest accrued and unpaid thereon; and

(C) all Class C Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class C Notes plus interest accrued and unpaid thereon; and

(D) all Class D Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class D Notes plus interest accrued and unpaid thereon; and

(E) all Class E Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class E Notes plus interest accrued and unpaid thereon; and

(F) all Class F Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class F Notes plus interest accrued and unpaid thereon.

After giving notice of redemption pursuant to this sub-paragraph, the Issuer shall not make any further payment of principal on the Notes and no further reduction shall be made to the Principal Amount Outstanding of any Note other than by way of redemption pursuant to this Condition 6*(c)*. Once redeemed to the full extent provided in this Condition 6*(c)*, the Notes shall cease to bear interest.

(d) Mandatory Redemption in Full — Swap Transactions

If, at any time, one or more of the Swap Transactions is terminated by reason of the occurrence of a Tax Event (as defined below) under the Swap Agreement (as defined in the Master Definitions Schedule) and the Issuer is unable to find a replacement swap provider (the Issuer being obliged to use its best endeavours to find a replacement swap provider) then, on giving not more than 60 nor less than 30 days' written notice to the Note Trustee and to the Noteholders in accordance with Condition 15 and provided that, on the Note Interest Payment Date on which such notice expires, no Note Enforcement Notice in relation to the Notes has been served, and further provided that the Issuer has, prior to giving such notice, certified to the Note Trustee that either (x) it will have the necessary funds to discharge on such Note Interest Payment Date all of its liabilities in respect of the Notes to be redeemed under this Condition 6(*d*) and any amounts required under the Issuer Deed of Charge and Assignment to be paid on such Note Interest Payment Date which rank higher in priority to, or *pari passu* with, the Notes, or (y) it will have sufficient funds to discharge all of the amounts referred to in (x) above other than such amounts in respect of the most junior class of Notes then outstanding and that the Issuer has obtained the written consent of the Note Trustee and all of the Noteholders of such lowest class of Notes to the redemption at such lower amount, which certificate will be conclusive and binding, the Issuer shall on such Note Interest Payment Date redeem:

(A) all Class A Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A Notes plus interest accrued and unpaid thereon; and

(B) all Class B Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class B Notes plus interest accrued and unpaid thereon; and

(C) all Class C Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class C Notes plus interest accrued and unpaid thereon; and

(D) all Class D Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class D Notes plus interest accrued and unpaid thereon; and

(E) all Class E Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class E Notes plus interest accrued and unpaid thereon; and

(F) all Class F Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class F Notes plus interest accrued and unpaid thereon.

After giving notice of redemption pursuant to this sub-paragraph, the Issuer shall not make any further payment of principal on the Notes and no further reduction shall be made to the Principal Amount Outstanding of any Note other than by way of redemption pursuant to this Condition 6(d). Once redeemed to the full extent provided in this sub-paragraph, the Notes shall cease to bear interest.

For these purposes, a "**Tax Event**" means:

(i) any action taken by a taxing authority, or brought in a court of competent jurisdiction (regardless of whether such action is taken or brought with respect to a party to the Swap Agreement); or

(ii) the enactment, promulgation, execution or ratification of, or change in or amendment to, any law (or in the application or interpretation of any law),

as a result of which, on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by any government or taxing authority, either the Issuer or the Swap Provider (as defined in the Master Definitions Schedule) will, or there is a substantial likelihood that it will, be required to pay additional amounts or make an advance in respect of tax under the Swap Agreement or the Swap Provider will, or there is a substantial likelihood that it will, receive a payment from the Issuer from which an amount is required to be deducted or withheld for or on account of tax and no additional amount or advance is able to be paid by the Issuer.

(e) Note Principal Payments, Principal Amount Outstanding and Pool Factor

The principal amount (if any) to be redeemed in respect of each Note (the "**Note Principal Payment**") on any Note Interest Payment Date under Condition 6*(b)* or Condition 6*(c)* or Condition 6(*d*), as applicable, will, in relation to the Notes of a particular class, be a *pro rata* share of the aggregate amount required to be applied in redemption of the Notes of that class on such Note Interest Payment Date under Condition 6*(b)* or Condition 6*(c)* or Condition 6*(d)*, as applicable, (rounded down to the nearest 0.01 euro) provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

On each Note Calculation Date, the Cash Manager shall determine (i) the amount of any Note Principal Payment (if any) due on the next following Note Interest Payment Date, (ii) the Principal Amount Outstanding of each Note on the next following Note Interest Payment Date (after deducting any Note Principal Payment to be paid and any Applicable Principal Losses (as defined below) to be applied on that Note Interest Payment Date) and (iii) the fraction expressed as a decimal to the sixth place (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding (after deducting any Note Principal Payment to be paid and any Applicable Principal Losses to be applied on that Note Interest Payment Date) of a Note of the relevant class (calculated on the assumption that the face amount of such Note on the date of issuance thereof was ε50,000) and the denominator is 50,000. Each determination by the Cash Manager of any Note Principal Payment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The "**Principal Amount Outstanding**" of a Note of any class on any date shall be the nominal amount thereof on the date of issuance thereof less (a) the aggregate amount of all Note Principal Payments in respect of such Note that have been paid since the Closing Date and on or prior to the date of calculation and (b) the aggregate amount of all Applicable Principal Losses in respect of such Note that have arisen since the Closing Date and on or prior to the date of calculation. For the purposes of these Conditions, "**Applicable Principal Losses**" means on any Note Interest Payment Date, in relation to the Notes of a particular class, a *pro rata* share of the amount equal to the aggregate amount of Principal Losses (as defined in the Master Definitions Schedule) required to be applied to the Notes of that class on such Note Interest Payment Date in accordance with the following sentence (rounded down to the nearest 0.01 euro, as the case may be). On the Note Interest Payment Date following the occurrence of a Principal Loss, the Principal Amount Outstanding of the Notes will, subject as set out below, be reduced by an amount equal to the Principal Loss as follows: first, the Principal Amount Outstanding of the Class F Notes shall be reduced until the Principal Amount Outstanding of the Class F Notes is zero; second, the Principal Amount Outstanding of the Class E Notes shall be reduced until the Principal Amount Outstanding of the Class E Notes is zero; third, the Principal Amount Outstanding of the Class D Notes shall be reduced until the Principal Amount Outstanding of the Class D Notes is zero; fourth, the Principal Amount Outstanding of the Class C Notes shall be reduced until the Principal Amount Outstanding of the Class C Notes is zero; fifth, the Principal Amount Outstanding of the Class B Notes shall be reduced until the Principal Amount Outstanding of the Class B Notes is zero; and such, the Principal Amount Outstanding of the Class A Notes shall be reduced until the Principal Amount Outstanding of the Class A Notes is zero. Unless otherwise expressly stated in any notice issued under or pursuant to these Conditions, all calculations in respect of the Principal Amount Outstanding of a Note shall be made on the assumption that the face amount of such Note on the date of issuance thereof was ε50,000.

The Issuer (or the Cash Manager on its behalf) will cause each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified in writing forthwith to the Note Trustee, the Paying Agents, the Rating Agencies, the Agent Bank and (for so long as the Notes are admitted to trading on the Irish Stock Exchange) the Irish Stock Exchange and will cause notice of each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be given to the Noteholders in accordance with Condition 15 as soon as reasonably practicable.

If the Issuer or the Cash Manager on behalf of the Issuer does not at any time for any reason determine a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this Condition (6)*(e)*), such Note Principal Payment, Principal Amount Outstanding and Pool Factor may be determined by the Note Trustee (but without any liability accruing to the Note Trustee as a result), in accordance with this Condition 6*(e)*, and each such determination or calculation will be binding and will be deemed to have been made by the Issuer or the Cash Manager, as the case may be.

(f) Notice of Redemption

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

(g) Cancellation

All Notes redeemed in full pursuant to the foregoing provisions shall be cancelled forthwith and may not be resold or re-issued.

7. Payments

(a) Global Notes

Payments of principal and interest in respect of any Global Note will be made only against presentation (and, in the case of final redemption of a Global Note or in circumstances where the unpaid principal amount of the relevant Global Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Global Note), surrender) of such Global Note at the specified office of any Paying Agent. A record of each payment so made, distinguishing, in the case of Global Notes, between payments of principal and payments of interest and, in the case of partial payments, of the amount of each partial payment, will be endorsed on the schedule to the relevant Global Note by or on behalf of the relevant Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made.

Payments in respect of the Rule 144A Global Notes will be paid (i) in euro to holders of interests in such Notes who hold such interests through Euroclear and/or Clearstream, Luxembourg (the "**Rule 144A Euroclear/Clearstream Holders**"), and (ii) subject to the provisions below, in U.S. dollars to holders of interests in such Notes who hold such interests through DTC (the "**DTC Holders**"). Payments in respect of the Reg S Global Notes will be paid in euro to holders of interests in such Notes (such holders being, together with the Rule 144A Euroclear/Clearstream Holders, the "**Euroclear/Clearstream Holders**").

At present, DTC can only accept payments in U.S. dollars. As a result, DTC Holders will receive payments in U.S. dollars as described above unless they elect, in accordance with DTC's customary procedures, to receive payments in euro.

A Euroclear/Clearstream Holder may receive payments in respect of its interest in any Global Notes in U.S. dollars in accordance with Euroclear's and Clearstream, Luxembourg's customary procedures. All costs of conversion from any such election will be borne by such Euroclear/Clearstream Holder.

(b) Definitive Notes

Payments of principal and interest (except where, after such payment, the unpaid principal amount of the relevant Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note, in which case the relevant payment of principal or interest, as the case may be, will be made against surrender of such Note)) in respect of Definitive Notes will be made by euro cheque drawn on a branch of a bank in London posted to the holder (or to the first-named of joint holders) of such Definitive Note at the address shown in the Register not later than the due date for such payment. If any payment due in respect of any Definitive Note is not paid in full, the Registrar will annotate the Register with a record of the amount, if any, paid. For the purposes of this Condition 7, the holder of a Definitive Note will be deemed to be the person shown as the holder (or the first-named of joint holders) on the Register on the fifteenth day before the due date for such payment (the "**Record Date**").

Upon application by the holder of a Definitive Note to the specified office of the Registrar not later than the Record Date for payment in respect of such Definitive Note, such payment will be made by transfer to a euro account maintained by the payee with a branch of a bank in London. Any such application for transfer to such account shall be deemed to relate to all future payments in respect of such Definitive Note until such time as the Registrar is notified in writing to the contrary by the holder thereof.

(c) Laws and Regulations

Payments of principal, interest and premium (if any) in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(d) Overdue Principal Payments

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note or part thereof in accordance with Condition 5*(a)* will be paid against presentation of such Note at the specified office of any Paying Agent, and in the case of any Definitive Note, will be paid in accordance with Condition 7*(b)*.

(e) Change of Agents

The Principal Paying Agent is HSBC Bank plc at its office at Mariner House, Pepys Street, London EC3N 4DA. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar and the Agent Bank and to appoint additional or other Agents. The Issuer will at all times maintain a Paying Agent with a specified office in, for so long as the Notes are listed on the Irish Stock Exchange, Dublin. The Issuer shall cause at least 30 days' notice of any change in or addition to the Paying Agents or the Registrar or their specified offices to be given to the Noteholders in accordance with Condition 15.

(f) Presentation on Non-Business Days

If any Note is presented (if required) for payment on a day which is not a business day in the place where it is so presented and (in the case of payment by transfer to an account as referred to in Condition 7*(b)* above) in London, New York City or Dublin as the case may be, payment will be made on the next succeeding day that is a business day and no further payments of additional amounts by way of interest, principal or otherwise will be due in respect of such Note. No further payments of additional amounts by way of interest, principal or otherwise will be payable in respect of the late arrival of any cheque posted to a Noteholder in accordance with the provisions of Condition 7*(b)*. For the purposes of Condition 6 and this Condition 7, "**business day**" means, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments in that place.

(g) Accrual of Interest on Late Payments

If interest is not paid in respect of a Note of any class on the date when due and payable (other than by reason of non-compliance with Condition 7*(a)* or *(b)*), then such unpaid interest shall itself bear interest at the applicable Rate of Interest until such interest and interest thereon is available for payment and notice thereof has been duly given to the Noteholders in accordance with Condition 15, provided that such interest and interest thereon are, in fact, paid.

8. Taxation

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

9. Prescription

Claims for principal in respect of Global Notes will become void unless the relevant Global Notes are presented for payment within ten years of the appropriate relevant date. Claims for interest in respect of Global

Notes will become void unless the relevant Global Notes are presented for payment within five years of the appropriate relevant date.

Claims for principal and interest in respect of Definitive Notes will become void unless made within ten years, in the case of principal, and five years, in the case of interest, of the appropriate relevant date.

In this Condition 9, the "**relevant date**" means the date on which a payment in respect thereof first becomes due, but if the full amount of the moneys payable has not been received by the Principal Paying Agent or the Trustee on or prior to such date, it means the date on which the full amount of such moneys shall have been so received, and notice to that effect shall have been duly given to the Noteholders in accordance with Condition 15.

10. Events of Default

(a) Eligible Noteholders

If any of the events mentioned in sub-paragraphs (1) to (6) inclusive below occurs (each such event being a "**Note Event of Default**"), the Note Trustee may and will, if so requested in writing by the "**Eligible Noteholders**", being:

(1) the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes then outstanding; or

(2) if there are no Class A Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class B Notes then outstanding; or

(3) if there are no Class A Notes and Class B Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class C Notes then outstanding; or

(4) if there are no Class A Notes, Class B Notes and Class C Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class D Notes then outstanding; or

(5) if there are no Class A Notes, Class B Notes, Class C Notes and Class D Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class E Notes then outstanding; or

(6) if there are no Class A Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class F Notes then outstanding,

or if so directed by or pursuant to an Extraordinary Resolution (as defined in the Note Trust Deed) of the Class A Noteholders or, if no Class A Notes are outstanding, the then most senior class of Noteholders, shall, and in any case aforesaid, subject to the Note Trustee being indemnified and/or secured to its satisfaction, give notice (a "**Note Enforcement Notice**") to the Issuer, with a copy to the Issuer Security Trustee, declaring all the Notes to be due and repayable and the Issuer Security enforceable:

(i) default is made for a period of three days in the payment of the principal of, or default is made for a period of five days in the payment of interest on, any Class A Note; or, if there are no Class A Notes outstanding, any Class B Notes; or, if there are no Class B Notes outstanding, any Class C Note; or, if there are no Class C Notes outstanding, any Class D Note; or, if there are no Class D Notes outstanding, any Class E Note, or, if there are no Class E Notes outstanding, any Class F Notes, in each case when and as the same becomes due and payable in accordance with these Conditions; or

(ii) default is made by the Issuer in the performance or observance of any other obligation binding upon it under any of the Notes of any class, the Note Trust Deed, the Issuer Asset Security Agreements, the Issuer Deed of Charge and Assignment or the other Transaction Documents to which it is party and, in any such case (except where the Note Trustee certifies that, in its opinion, such default is incapable of remedy when no notice will be required), such default continues for a period of 14 days following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in Condition 10*(a)*(iv) below, ceases or, consequent upon a resolution of the board of directors of the Issuer, threatens to cease to carry on business or a substantial part of its business or the Issuer is or is deemed unable to pay its debts within the meaning of any applicable insolvency laws; or

(iv) an order is made or an effective resolution is passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Note Trustee in writing or by an Extraordinary Resolution of the Eligible Noteholders; or

(v) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws and such proceedings are not, in the opinion of the Note Trustee, being disputed in good faith with a reasonable prospect of success, or a receiver, liquidator or other similar official is appointed in relation to the Issuer or any part of its undertaking, property or assets, or an encumbrancer takes possession of all or any part of the undertaking, property or assets of the Issuer, or a distress, execution, diligence or other process is levied or enforced upon or sued against all or any part of the undertaking, property or assets of the Issuer and such possession or process is not discharged or does not otherwise cease to apply within 15 days, or the Issuer initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally;

provided that, in the case of each of the events described in Condition 10*(a)*(ii), the Note Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Noteholders or, if no Class A Notes are outstanding, the then most senior class of Noteholders.

(b) Effect of Note Enforcement Notice

Upon the giving of a Note Enforcement Notice by the Note Trustee in accordance with Condition 10*(a)* above, all the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest and the Issuer Security shall become enforceable, all in accordance with the Note Trust Deed, the Issuer Deed of Charge and Assignment and the Issuer Asset Security Agreements.

11. Enforcement

(a) Subject to the provisions of Condition 16, following the service of a Note Enforcement Notice, the Issuer Security Trustee, may, without notice, take such proceedings against the Issuer or any other person as are appropriate to enforce the provisions of the Notes and the Transaction Documents and may, at any time after the Issuer Security has become enforceable, without notice, take possession of the Issuer Security or any part thereof and may in its discretion sell, call in, collect and convert into money the Issuer Security or any part thereof in such manner and upon such terms as the Issuer Security Trustee may think fit to enforce the Issuer Security, but it will not be bound to take any such proceedings or steps unless:

(i) for so long as any Notes are outstanding, it has been directed to do so by the Note Trustee; and

(ii) it shall be indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all liabilities, losses, costs, charges, damages and expenses (including any VAT thereon) which it may incur by so doing.

(b) The Note Trustee will not be bound to issue directions to the Issuer Security Trustee in respect of the enforcement of the Issuer Security unless, subject to the proviso below, it is directed to do so by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders or the Class F Noteholders, or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, as applicable, then outstanding,

PROVIDED THAT:

(i) the Note Trustee shall not be bound to act at the direction of the Class B Noteholders unless to do so would not in the opinion of the Note Trustee be materially prejudicial to the respective interests of the Class A Noteholders or the Note Trustee has been directed to take such action by an

Extraordinary Resolution of the Class A Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes then outstanding;

(ii) the Note Trustee shall not be bound to act at the direction of the Class C Noteholders unless to do so would not in the opinion of the Note Trustee be materially prejudicial to the respective interests of the Class A Noteholders, and the Class B Noteholders or the Note Trustee has been directed to take such action by Extraordinary Resolutions of each of the Class A Noteholders, and the Class B Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of each of the Class A Notes and the Class B Notes then outstanding;

(iii) the Note Trustee shall not be bound to act at the direction of the Class D Noteholders unless to do so would not in the opinion of the Note Trustee be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders or the Note Trustee has been directed to take such action by Extraordinary Resolutions of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of each of the Class A Notes, the Class B Notes and the Class C Notes then outstanding;

(iv) the Note Trustee shall not be bound to act at the direction of the Class E Noteholders unless to do so would not in the opinion of the Note Trustee be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders or the Note Trustee has been directed to take such action by Extraordinary Resolutions of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of each of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes then outstanding; and

(v) the Note Trustee shall not be bound to act at the direction of the Class F Noteholders unless to do so would not in the opinion of the Note Trustee be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders or the Note Trustee has been directed to take such action by Extraordinary Resolutions of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders, or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of each of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes then outstanding.

(c) Enforcement of the Issuer Security will be the only remedy available to the Note Trustee and the Noteholders for the repayment of the Notes and any interest thereon. No Noteholder shall be entitled to proceed directly against the Issuer or any other party to the Transaction Documents or to enforce the Issuer Security unless the Issuer Security Trustee, having become bound to do so, fails to do so within 90 days from the date it becomes so bound and such failure shall be continuing; provided that no Class B Noteholder (for so long as there is any Class A Note outstanding), no Class C Noteholder (for so long as there is any Class A Note or Class B Note outstanding), no Class D Noteholder (for so long as there is any Class A Note, Class B Note or Class C Note outstanding), no Class E Noteholder (for so long as there is any Class A Note, Class B Note, Class C Note or Class D Note outstanding) and no Class F Noteholder (for so long as there is any Class A Note, Class B Note, Class C Note, Class D Note, or Class E Note outstanding) will be entitled to take proceedings for the winding up or administration of the Issuer. The Issuer Security Trustee cannot, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any other Issuer Secured Party under (and as defined in) the Issuer Deed of Charge and Assignment.

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

the assets of the Issuer comprised in the Issuer Security and (ii) the Issuer will have duly and entirely fulfilled its payment obligations by making available to such Noteholder its proportion of the proceeds of realisation or enforcement of the Issuer Security in accordance with the Issuer Deed of Charge and Assignment, and all claims in respect of any shortfall shall be extinguished.

12. Meetings of Noteholders, Modification and Waiver

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

(*b*) An Extraordinary Resolution passed at any meeting of the Class A Noteholders will be binding on all the Class B Noteholders, Class C Noteholders, Class D Noteholders, Class E Noteholders and Class F Noteholders, irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Transaction Documents, which will not take effect unless it has been sanctioned by an Extraordinary Resolution of each of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders, or it will not, in the opinion of the Note Trustee, in its sole discretion, be materially prejudicial to the respective interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders. The term "**Extraordinary Resolution**" means a resolution passed at a meeting of the Noteholders or relevant class of Noteholders duly convened and held in accordance with the provisions contained in the Note Trust Deed by a majority consisting of not less than 75 per cent. 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 75 per cent. of the votes given on such poll.

(c) An Extraordinary Resolution passed at any meeting of Class B Noteholders (other than as referred to in Condition 12(*b*)) shall not be effective for any purpose unless either:

(i) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders; or

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

An Extraordinary Resolution passed at any meeting of the Class B Noteholders will be binding on all Class C Noteholders, Class D Noteholders Class E Noteholders and Class F Noteholders, irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Transaction Documents which will not take effect unless it has been sanctioned by an Extraordinary Resolution of the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders or it will not, in the opinion of the Note Trustee, in its sole discretion, be materially prejudicial to the respective interests of the Class C Noteholders, the Class D Noteholders, the Class E Noteholders and Class F Noteholders.

(d) An Extraordinary Resolution passed at any meeting of Class C Noteholders (other than as referred to in Conditions 12(*b*) or 12 (*c*)) will not be effective for any purpose unless either:

(i) the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders and the Class B Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of each of the Class A Noteholders and the Class B Noteholders.

An Extraordinary Resolution passed at any meeting of the Class C Noteholders will be binding on all Class D Noteholders, Class E Noteholders and Class F Noteholders, irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Transaction Documents which will not take effect unless it has been sanctioned by an Extraordinary Resolution of each of the Class D Noteholders, the Class E Noteholders and the Class F Noteholders or it will not, in the opinion of the Note Trustee, in its sole discretion, be materially prejudicial to the respective interests of the Class D Noteholders, the Class E Noteholders and the Class F Noteholders.

(*e*) An Extraordinary Resolution passed at any meeting of the Class D Noteholders (other than as referred to in Conditions 12(*b*), 12(*c*) or 12(*d*)) shall not be effective for any purpose unless either:

(i) the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders.

An Extraordinary Resolution passed at any meeting of the Class D Noteholders will be binding on all Class E Noteholders and Class F Noteholders, irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Transaction Documents, which will not take effect unless it has been sanctioned by an Extraordinary Resolution of each of the Class E Noteholders and the Class F Noteholders or it will not, in the opinion of the Note Trustee in its sole discretion, be materially prejudicial to the interests of the Class E Noteholders and the Class F Noteholders.

(*f*) An Extraordinary Resolution passed at any meeting of the Class E Noteholders (other than as referred to in Conditions 12(*b*), 12(*c*), 12(*d*) or 12(*e*)) shall not be effective for any purpose unless either:

(i) the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders.

An Extraordinary Resolution passed at any meeting of the Class E Noteholders will be binding on all Class F Noteholders, irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Transaction Documents, which will not take effect unless it has been sanctioned by an Extraordinary Resolution of the Class F Noteholders or it will not, in the opinion of the Note Trustee in its sole discretion, be materially prejudicial to the interests of the Class F Noteholders.

(g) An Extraordinary Resolution passed at any meeting of the Class F Noteholders (other than as referred to in Conditions 12(*b*), 12(*c*), 12(*d*), 12(*e*) or 12(*f*)) shall not be effective for any purpose unless either:

(i) the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders.

(h) Subject as provided below, the quorum at any meeting of the Noteholders of any class for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. in Principal Amount Outstanding of the Notes of such class or, at any adjourned meeting, two or more persons being or representing Noteholders of such class whatever the Principal Amount Outstanding of the Notes of such class so held or represented. For so long as all the Notes (whether being Definitive Notes or represented by a Global Note) of a class are held by one person, such person will constitute two persons for the purposes of forming a quorum for meetings. Furthermore, a proxy for the holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders.

The quorum at any meeting of the Noteholders of any class for passing an Extraordinary Resolution in respect of a Basic Terms Modification (as defined in the Note Trust Deed) will be two or more persons holding or representing not less than 75 per cent. or, at any adjourned such meeting, 33 1/3 per cent. in Principal Amount Outstanding of the Notes of such class for the time being outstanding.

The majority required for an Extraordinary Resolution shall be not less than 75 per cent. of the votes cast on the resolution. An Extraordinary Resolution passed at any meeting of Noteholders of any class shall be binding on all Noteholders of such class whether or not they are present at such meeting.

(i) The Note Trustee may agree, without the consent of the holders of Notes of any class, (i) to any modification (except a Basic Terms Modification) of, or to any waiver or authorisation of any breach or proposed breach of, the Notes (including these Conditions) or any of the Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the Noteholders or (ii) to any modification of the Notes (including these Conditions) or any of the Transaction Documents which, in the opinion of the Note Trustee, is to correct a manifest error or is of a formal, minor or technical nature. The Note Trustee may also, without the consent of the Noteholders of any class, determine that a Note Event of Default will not, subject to specified conditions, be treated as such, provided always that the Note Trustee will not exercise such powers of waiver, authorisation or determination in contravention of any express direction given by the Eligible Noteholders or by an Extraordinary Resolution of the Class A Noteholders or, if no Class A Notes are outstanding, the then most senior class of Noteholders (provided that no such direction shall affect any authorisation, waiver or determination previously made or given). Any such modification, waiver, authorisation or determination will be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

(j) Where either the Note Trustee or the Issuer Security Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions, to have regard to the interests of the Noteholders of any class, it shall have regard to the interests of such Noteholders as a class and, in particular, but without prejudice to the generality of the foregoing, the Note Trustee and the Issuer Security Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Note Trustee and the Issuer Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or the Note Trustee or the Issuer Security Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(k) Each of the Note Trustee and the Issuer Security Trustee shall be entitled to assume without further enquiry, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to these Conditions or any of the Transaction Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders or any class of Noteholders if the Rating Agencies have provided written confirmation that the then current ratings of the Notes or, as the case may be, the Notes of such class will not be qualified, downgraded or withdrawn as a result of such exercise.

13. Indemnification and Exoneration of the Note Trustee and the Issuer Security Trustee

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

The Issuer Deed of Charge and Assignment, contains provisions pursuant to which the Issuer Security 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 Security and/or any of their subsidiary or associated companies and to act as Issuer Security 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 Security and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties, under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Issuer Secured Parties, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Note Trust Deed contains provisions pursuant to which the Note 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 Security and/or any of their subsidiary or associated companies and to act as Note 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 Security and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties, under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Issuer Deed of Charge and Assignment also relieves the Issuer Security Trustee of liability for, among other things, not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Issuer Deed of Charge and Assignment. The Issuer Security Trustee has no responsibility in relation to the validity, sufficiency and enforceability of the Issuer Security and the Issuer Security Trustee will not be obliged to take any action which might result in its incurring personal liabilities unless indemnified to its satisfaction or to supervise the performance by the Issuer, the Collateral Manager, the Special Collateral Manager, the Cash Manager, the Liquidity Facility Provider, the Swap Provider, the Swap Guarantor or any other person of their obligations under the Transaction Documents and the Issuer Security Trustee will assume, until it has actual knowledge to the contrary, that all such persons are properly performing their duties, notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

14. Replacement of Global Notes and Definitive Notes

If any Global Note or Definitive Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent or the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer, the Registrar or the Note Trustee may reasonably require. Mutilated or defaced Global Notes or Definitive Notes must be surrendered before replacements will be issued.

15. Notice to Noteholders

(*a*) All notices, other than notices given in accordance with the following paragraphs of this Condition 15, to Noteholders shall be deemed to have been validly given if published in a leading daily newspaper printed in the English language with general circulation in Dublin (which is expected to be *The Irish Times*) or, if that is not practicable, in such English language newspaper or newspapers as the Note Trustee approves having a general circulation in Ireland and the rest of Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required. For so long as the Notes of any class are represented by Global Notes, notices to Noteholders will be validly given if published as described above or, for so long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so allow, at the option of the Issuer, if delivered to the Depository for communication by it to Euroclear and/or Clearstream, Luxembourg and/or to DTC for communication by them to their participants and for communication by such participants to entitled accountholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC as aforesaid shall be deemed to have been given on the day on which it is delivered to the Depository.

(*b*) Any notice specifying a Note Interest Payment Date, a Rate of Interest, a Note Interest Amount or a Principal Amount Outstanding shall be deemed to have been duly given if the information contained in such notice appears on the relevant page of the Reuters Screen or such other medium for the electronic display of data as may be previously approved in writing by the Note Trustee and notified to the Noteholders pursuant to Condition 15*(a)*. Any such notice shall be deemed to have been given on the first date on which such information appeared on the relevant screen. If it is impossible or impractical to give notice in accordance with this paragraph then notice of the matters referred to in this paragraph shall be given in accordance with Condition 15*(a)*.

(*c*) A copy of each notice given in accordance with this Condition 15 shall be provided to (for so long as the Notes of any class are listed on the Irish Stock Exchange) the Company Announcements Office of the Irish Stock Exchange and at all times to Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**"), Moody's Investors Services Limited ("**Moody's**") and Fitch Ratings Ltd. ("**Fitch**" and, together with S&P and Moody's, the "**Rating Agencies**", which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer,

with the prior written approval of the Note Trustee, to provide a credit rating in respect of the Notes or any class thereof). For the avoidance of doubt, and unless the context otherwise requires, all references to "rating" and "ratings" in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies.

(*d*) The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

16. Subordination

(a) Interest

Subject to Condition 10 and for so long as any Class A Note is outstanding, in the event that, on any Note Interest Payment Date, the Available Issuer Interest Receipts, after deducting the amounts referred to in items (a) to (c) of Clause 6.3.1 of the Issuer Deed of Charge and Assignment (in the case of the Class B Notes); items (a) to (d) of Clause 6.3.1 of the Issuer Deed of Charge and Assignment (in the case of the Class C Notes) items (a) to (e) of Clause 6.3.1 of the Issuer Deed of Charge and Assignment (in the case of the Class D Notes); items (a) to (f) of Clause 6.3.1 of the Issuer Deed of Charge and Assignment (in the case of the Class E Notes); items (a) to (g) of Clause 6.3.1 of the Issuer Deed of Charge and Assignment (in the case of the Class F Notes), respectively, (each such amount with respect to the relevant class of Notes, an "**Note Interest Residual Amount**"), are not sufficient to satisfy in full the Note Interest Amount or, in the case of the Class E Notes and the Class F Notes, the lesser of (a) the Note Interest Amount, and (b) the Adjusted Interest Amount, due and, subject to this Condition 16(a), payable on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes respectively, on such Note Interest Payment Date, there shall instead be payable on such Note Interest Payment Date, by way of interest on each Class B Note and/or Class C Note and/or Class D Note and/or Class E Note, as the case may be, only a *pro rata* share of the Note Interest Residual Amount attributable to the relevant class or classes of Notes on such Note Interest Payment Date, calculated by dividing the original principal amount of each such Class B Note, Class C Note, Class D Note, Class E Note or Class F Note, as the case may be, by the aggregate principal amount of the Class B Notes, Class C Notes, Class D Notes, Class E Notes and the Class F Notes as at the Closing Date, as the case may be, and multiplying the result by the relevant Interest Residual Amount, and then rounding down to the nearest 0.01 euro.

In any such event, the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the Class B Notes, Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, as the case may be, on any Note Interest Payment Date in accordance with this Condition 16*(a)* falls short of the Note Interest Amount due on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, as the case may be, on that date pursuant to Condition 5. Such shortfall shall itself accrue interest at the same rate as that payable in respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, as applicable, and shall be payable together with such accrued interest on any succeeding Note Interest Payment Date and any such unpaid interest and accrued interest thereon shall be paid, but only if and to the extent that, on such Note Interest Payment Date, the Available Issuer Interest Receipts, after deducting the amounts referred to in items (a) to (c) of Clause 6.3.1 of the Issuer Deed of Charge and Assignment (in the case of the Class B Notes); items (a) to (d) of Clause 6.3.1 of the Issuer Deed of Charge and Assignment (in the case of the Class C Notes); items (a) to (e) of Clause 6.3.1 of the Issuer Deed of Charge and Assignment (in the case of the Class D Notes); items (a) to (f) of Clause 6.3.1 of the Issuer Deed of Charge and Assignment (in the case of the Class E Notes); and items (a) to (g) of Clause 6.3.1 of the Issuer Deed of Charge and Assignment (in the case of the Class F Notes) respectively, are, in any such case, sufficient to make such payment.

In the event that no Class A Note is outstanding, the provisions in this Condition 16(*a*) shall apply, *mutatis mutandis*, save that reference to the most senior class of Notes outstanding at that time and all classes of Notes that were, prior to their redemption, senior to that class of Notes shall be deleted.

(b) Principal

Save in respect of the application of Available Pro Rata Issuer Principal Receipts, as contemplated in Condition 6(*b*) and subject to Condition 6(*c*) and Condition 6(*d*), Condition 10 and Condition 11, while any Class A Notes are outstanding, the Class B Noteholders, the Class C Noteholders, the Class D

Noteholders. the Class E Noteholders and the Class F Noteholders shall not be entitled to any repayment of principal in respect of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, respectively. Subject to Condition 6(*c*), and Condition 6(*d*), Condition 10 and Condition 11, while any Class B Notes are outstanding, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders shall or the Class F Noteholders not be entitled to any repayment of principal in respect of the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, respectively. Subject to Condition 6(*c*) and Condition 6(*d*), Condition 10 and Condition 11, while any Class C Notes are outstanding, the Class D Noteholders, the Class E Noteholders and the Class F Noteholders shall not be entitled to any repayment of principal in respect of the Class D Notes, the Class E Notes or the Class F Notes, respectively. Subject to Condition 6(*c*) and Condition 6(*d*), Condition 10 and Condition 11, while any Class D Notes are outstanding, the Class E Noteholders and the Class F Noteholders shall not be entitled to any repayment of principal in respect of the Class E Notes or the Class F Notes. Subject to Condition 6(*c*) and Condition 6(*d*), Condition 10 and Conditions 11, while any Class E Notes are outstanding the Class F Noteholders shall not be entitled to any repayment of principal in respect of the Class F Notes.

(c) General

In the event that the Issuer Security is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking higher in priority thereto or *pari passu* therewith under the Issuer Deed of Charge and Assignment, to pay in full all principal and interest and other amounts whatsoever due in respect of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, then the holders of such Notes shall have no further claim against the Issuer in respect of any such unpaid amounts, as described in Condition 11. In the event that a shortfall in the amount available to pay principal of the Notes of any class exists on the Final Note Interest Payment Date, after payment of all other claims ranking higher in priority to or *pari passu* with the Notes or the relevant class of Notes and after the realisation by the Issuer of all assets the subject of or forming the Issuer Security, and the Issuer Security has not become enforceable as at such date, the liability of the Issuer to make any payment in respect of such shortfall shall cease and all claims in respect of such shortfall shall be extinguished.

(d) Notification

As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes or the Class F Notes, as the case may be, will be deferred or that a payment previously deferred will be made in accordance with this Condition 16, the Issuer will give notice thereof to the Class B Noteholders, the Class C Noteholders, the Class D Noteholders, the Class E Noteholders or the Class F Noteholders, as the case may be, in accordance with Condition 15 and, for so long as the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes are listed on the Irish Stock Exchange, to the Irish Stock Exchange.

17. Privity of Contract

No person shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term or condition of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

18. Governing Law

The Note Trust Deed, the Issuer Deed of Charge and Assignment, the Agency Agreement, the other Transaction Documents and the Notes are governed by, and shall be construed in accordance with, English law other than the Depository Agreement and the Exchange Rate Agency Agreement, which are governed by and shall be construed in accordance with the laws of the State of New York, the French Units and the Issuer French Unit Nantissement, which are governed by and shall be construed in accordance with the laws of France, the Belgian Bonds and the Issuer Belgian Bond Pledge Agreement, which are governed by and shall be construed in accordance with the laws of Belgium and the Irish Notes and the Issuer Irish Deed of Charge and Assignment, which are governed by and shall be construed in accordance with the laws of Ireland and the Issuer Corporate Services Agreement, which shall be governed by the laws of Luxembourg.

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

(*a*) It is the intention of the Issuer, each Noteholder and beneficial owner ("**Owner**") of an interest in the Notes that the Notes will be indebtedness of the Issuer for United States federal, state and local

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

(b) For so long as any Notes remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or Section 15(d) of the United States Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to rule 12g3-2(b) thereunder, furnish, at its expense, to any holder of, or Owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or Owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

USE OF PROCEEDS

The proceeds from the issue of the Notes will be approximately ε302,900,300 and this sum will be applied by the Issuer, on or about the Closing Date, to subscribe for the Issuer Assets or, in the case of the Belgian Bonds, to fund the Issuer Deposit Account. See "The Issuer Assets". Fees, commissions and expenses incurred by the Issuer in connection with the issue of the Notes will be met by Morgan Stanley & Co. International Limited.

LUXEMBOURG TAXATION

The following is a summary of the Issuer's understanding of current Luxembourg tax law as at the date of this Offering Circular relating to certain aspects of the Luxembourg taxation of the Notes. It is not a comprehensive analysis of the tax consequences arising in respect of Notes. Prospective Noteholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than Luxembourg should seek their own professional advice.

Under Luxembourg tax laws currently in effect, there is no withholding tax on payment of principal, premium or interest, nor on accrued but unpaid interest, in respect of the Notes, nor is any Luxembourg withholding tax payable upon the redemption of the Notes. Noteholders who are non-residents of Luxembourg and who do not hold Notes through a permanent establishment in Luxembourg are not liable for Luxembourg income tax on payments of principal, premium and interest, accrued but unpaid interest or upon redemption or repurchase of, or on capital gains on sale of, any Notes.

Noteholders resident in Luxembourg ("**Resident Holders**") (except (i) holding companies governed by the law of 31st July, 1929 and (ii) undertakings for collective investments which are not subject to income tax and net wealth tax) or who have a permanent establishment in Luxembourg (a "**Permanent Establishment**") with whom the holding of the Notes is effectively connected must for income tax purposes include any interest received in their taxable income. Resident Noteholders who are individuals are not subject to taxation on capital gains upon the disposal of Notes unless the disposal of Notes precedes the acquisition thereof or the Notes are disposed of within six months of the date of acquisition thereof. Upon a sale, repurchase or redemption of Notes, Resident Noteholders who are individuals will however need to include the portion of the purchase, repurchase or redemption price corresponding to accrued but unpaid interest in their taxable income. A corporate entity (*société de capitaux*) which is a Resident Noteholder or a Permanent Establishment will need to include in its taxable income the difference between the purchase, repurchase or redemption price (including accrued but unpaid interest) and the lower of cost or book value of the Notes sold, repurchased or redeemed. Resident Noteholders will not be liable for any Luxembourg income tax on payment of principal upon redemption of Notes.

No stamp, value added, issue, registration, transfer or similar taxes or duties will, under present Luxembourg law, be payable in Luxembourg by the holders of the Notes in connection with the issue of the Notes.

Proposed European Union Directive on Taxation of Certain Interest Payments

On 3rd June, 2003 the Council of Economic and Finance Ministers of the European Union (the "**EU**") adopted a new directive regarding the taxation of savings income. The directive is scheduled to be applied by EU member states beginning 1st January, 2005, provided that certain non-EU countries adopt similar measures from the same date. Under the directive, each EU member state will be required to provide to the tax authorities of another EU member state details of payments of interest or other similar income paid by a person within its jurisdiction to or for an individual resident in that other member state; however, Austria, Belgium and Luxembourg may instead apply an alternative system for a transitional period in relation to such payments of withholding tax at rates rising over time to 35 per cent. The transitional period is scheduled to run from (a) the date on which the directive is to be applied by EU member states, to (b) the end of the first fiscal year following the later of (i) agreement by certain non-EU countries to the exchange of information relating to such payments and (ii) agreement by the EU Council that the U.S.A. is committed to apply the exchange of information relating to such payments.

UNITED STATES TAXATION

The following is a summary of certain United States federal income tax considerations for original purchasers of the Notes that use the accrual method of accounting for United States federal income tax purposes and that hold the Notes as capital assets. This summary does not discuss all aspects of United States federal income taxation that might be important to particular investors in light of their individual investment circumstances, such as investors subject to special tax rules (e.g., financial institutions, insurance companies, tax-exempt institutions, non-United States persons engaged in a trade or business within the United States, or persons the functional currency of which is not the United States dollar). In particular, investors not using the accrual method of accounting for United States federal income tax purposes may be subject to rules not described herein. In addition, this summary does not discuss any non-United States, state, or local tax considerations. This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), and administrative and judicial authorities, all as in effect on the date hereof and all of which are subject to change, possibly on a retroactive basis. Prospective investors should consult their tax advisors regarding the federal, state, local, and non-United States income and other tax considerations of owning the Notes. No rulings will be sought from the United States Internal Revenue Service (the "**IRS**") with respect to the United States federal income tax consequences described below.

Notwithstanding anything to the contrary contained in this Offering Circular, each offeree or holder of the Notes (and each employee, representative, or other agent of such offeree or holder) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and tax structure of the transaction (as defined in section 1.6011-4 of the United States Treasury regulations) and all materials of any kind (including opinions or other tax analyses) that are provided to the taxpayer relating to such U.S. tax treatment and tax structure.

For purposes of this summary, a "United States holder" means a beneficial owner of a Note that is, for United States federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organised in or under the laws of the United States or of any political subdivision thereof, or (iii) an estate or trust described in section 7701(a)(30) (D) or (E) of the Code (taking into account effective dates, transition rules and elections in connection therewith). A "non-United States holder" means a beneficial owner of a Note that is not a United States holder.

Characterisation of the Notes

The Issuer intends to take the position that the Notes are debt for United States federal income tax purposes. However, the Issuer will not obtain any rulings or opinions of counsel on the characterisation of the Notes and there can be no assurance that the IRS or the courts will agree with the position of the Issuer. In particular, because of the subordination and other features of the Class E Notes and the Class F Notes (and to a lesser extent, more senior classes of Notes), there is a significant possibility that the IRS could contend that they should be treated as equity. This potential for characterisation as equity is higher with respect to the Class F Notes due to their rating. This potential for characterisation as equity is higher with respect to the Class F Notes due to their rating. See "Possible Alternative Characterisation of the Notes" below. Absent a final determination to the contrary, the Issuer and each Noteholder and Owner, by acceptance of a Note or a beneficial interest therein, agree to treat the Notes as debt for purposes of United States federal, state and local income or franchise taxes and any other United States, federal, state and local taxes imposed on or measured by income and to report the Notes on all applicable tax returns in a manner consistent with such treatment. Unless otherwise indicated, the discussion in the following paragraphs assumes this characterisation of the Notes is correct for United States federal income tax purposes. The following paragraphs are also based on the assumption that the Issuer will not be engaged in a trade or business within the United States to which the income from the Notes is effectively connected.

Interest Income of United States Holders

In General

The Notes will not be issued with original issue discount ("**OID**") for United States federal income tax purposes (as discussed below), thus interest on such Notes will be taxable to a United States holder as ordinary income at the time it is accrued prior to the receipt of cash attributable to that income.

A Note will be considered issued with OID if its "stated redemption price at maturity" exceeds its "issue price" (i.e., the price at which a substantial portion of the respective class of Notes is first sold (not including sales to the Managers)) by an amount equal to or greater than 0.25 per cent. of such Note's stated redemption price at maturity multiplied by such Note's weighted average maturity ("**WAM**"). In general, a Note's "stated redemption price at maturity" is the sum of all payments to be made on the Note other than payments of "qualified stated interest." The WAM of a Note is computed based on the number of full years each distribution

of principal (or other amount included in the stated redemption price at maturity) is scheduled to be outstanding. The schedule of such likely distributions should be determined in accordance with the assumed rate of prepayment (the "**Prepayment Assumption**") used in pricing the Notes. The pricing of the Notes is calculated on the basis of the scheduled amortisation payments (see "The Loan Pool") on the assumption that there will be no prepayments.

In general, interest on the Notes will constitute "qualified stated interest" only if such interest is "unconditionally payable" at least annually at a single fixed or qualifying variable rate (or permitted combination of the foregoing) within the meaning of applicable United States Treasury Regulations. Interest will be considered "unconditionally payable" for these purposes if legal remedies exist to compel timely payment of such interest or if the Notes contain terms and conditions that make the likelihood of late payment or non-payment "remote." Although the Conditions of the Notes provide that a holder cannot compel the timely payment of any interest accrued in respect of the Notes (other than the Class A Notes) and that interest due on the Class E Notes and Class F Notes is limited to specified amounts, Treasury Regulations provide that in determining whether interest is unconditionally payable the possibility of non-payment due to default, insolvency or similar circumstances is ignored. Accordingly, the Issuer intends to take the position that interest payments on the Notes constitute "qualified stated interest." It is possible that the IRS could take a contrary position.

Sourcing

Interest on a Note will constitute foreign source income for United States federal income tax purposes. Subject to certain limitations, Luxembourg withholding tax, if any, imposed on payments on the Notes will generally be treated as a foreign tax eligible for credit against a United States holder's United States federal income tax (unless such tax is refundable under Luxembourg Law or a Luxembourg/United States income tax treaty). For foreign tax credit purposes, interest will generally be treated as foreign source passive income (or, in the case of certain United States holders, financial services income).

Foreign Currency Considerations

A United States holder that receives a payment of interest in euro with respect to the Notes will be required to include in income the United States dollar value of the amount of interest income that has accrued and is otherwise required to be taken into account with respect to the Notes during an accrual period. The United States dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the relevant taxable year. In addition, such United States holder will recognise additional exchange gain or loss, treated as ordinary income or loss, with respect to accrued interest income on the date such income is actually received or the applicable Note is disposed of. The amount of ordinary income or loss recognised will equal the difference between (i) the United States dollar value of the euro payment received (determined at the spot rate on the date such payment is received or the applicable Note is disposed of) in respect of such accrual period and (ii) the United States dollar value of interest income that has accrued during such accrual period (determined at the average rate as described above). Alternatively. a United States holder may elect to translate interest income into United States dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the last day of the interest accrual period is within five business days of the date of receipt, the spot rate on the date of receipt. A United States holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Disposition of Notes by United States Holders

In General

Upon the sale, exchange or retirement of a Note, a United States holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the United States holder's adjusted tax basis in the Note. For these purposes, the amount realised does not include any amount attributable to accrued interest on the Note (which will be treated as interest as described under "Interest Income of United States Holders" above). A United States holder's adjusted tax basis in a Note generally will equal the cost of the Note to the United States holder, decreased by any payments (other than payments of qualified stated interest) received on the Note.

In general, except as described below, gain or loss realised on the sale, exchange or redemption of a Note will be capital gain or loss.

Foreign Currency Considerations

A United States holder's tax basis in a Note, and the amount of any subsequent adjustment to such United States holder's tax basis, will be the United States dollar value of the euro amount paid for such Note, or of the euro amount of the adjustment, determined at the spot rate on the date of such purchase or adjustment. A United States holder that purchases a Note with previously owned euro will recognise ordinary income or loss in an amount equal to the difference, if any, between such United States holder's tax basis in the euro and the United States dollar value of the euro on the date of purchase.

Gain or loss realised upon the receipt of a principal payment on, or the sale, exchange or retirement of, a Note that is attributable to fluctuations in currency exchange rates will be treated as ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the United States dollar value of the applicable euro principal amount of such Note, and any payment with respect to accrued interest, translated at the spot rate on the date such payment is received or such Note is disposed of, and (ii) the United States dollar value of the applicable euro principal amount of such Note, on the date such holder acquired such Note, and the United States dollar amounts previously included in income in respect of the accrued interest received at the spot rate on that day. Such foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by a United States holder on the sale, exchange or retirement of the Note. The source of such euro gain or loss will be determined by reference to the residence of the United States holder or the qualified business unit of the United States holder on whose books the Note is properly reflected.

A United States holder will have a tax basis in any euro received on the receipt of principal on, or the sale, exchange or retirement of, a Note equal to the United States dollar value of such euro, determined at the time of such receipt, sale, exchange or retirement. Any gain or loss realised by a United States holder on a subsequent sale or other disposition of euro (including its exchange for United States dollars) will generally be ordinary income or loss.

Realised Losses

It is likely that the Notes will be treated as a "security" as defined in section 165(g)(2) of the Code. Accordingly, any loss with respect to the Notes as a result of one or more realised losses on the Loans will be treated as a loss from the sale or exchange of a capital asset at that time. In addition, no loss will be permitted to be recognised until the Notes are wholly worthless.

Each United States holder will be required to accrue interest with respect to a Note without giving effect to any reductions attributable to defaults on the assumption that no defaults or delinquencies occur with respect to the Loans until it can be established that those payment reductions are not receivable. Accordingly, particularly with respect to the more subordinated Notes, the amount of taxable income reported during the early years of the term of the Notes may exceed the economic income actually realised by the holder during that period. Although the United States holder of a Note would eventually recognise a loss or reduction in income attributable to the previously accrued income that is ultimately not received as a result of such defaults, the law is unclear with respect to the timing and character of such loss or reduction in income.

Possible Alternative Characterisations of the Notes

In General

Although, as described above, the Issuer intends to take the position that the Notes will be treated as debt for United States federal income tax purposes, such position is not binding on the IRS or the courts and therefore no assurance can be given that such characterisation will prevail. In particular, because of the subordination and other features of the Class E Notes and Class F Notes (and to a lesser extent, a more senior class of Notes), there is a significant possibility that the IRS could contend that they should be treated as an equity interest in the Issuer. This potential for characterisation as equity is higher with respect to the Class F Notes due to their rating.

If the Notes were treated as equity interests in the Issuer (any such Note, a "**Recharacterised Note**"), a United States holder of a Recharacterised Note would be required to include in income (with no dividends received deduction available to corporate United States holders) payments of "interest" as dividends to the extent of current or accumulated earnings and profits of the Issuer, as determined for United States federal income tax purposes. "Dividend" payments on the Recharacterised Note, in excess of current or accumulated earnings and profits of the Issuer, generally would reduce the United States holder's tax basis in the Note and, to the extent the aggregate amount of dividends exceeded the United States holder's basis, such excess would generally constitute capital gain. "Dividend" income derived by a United States holder with respect to a

Recharacterised Note generally would constitute foreign source income that would be treated as passive income for foreign tax credit purposes. If the Issuer were a PFIC as described below, "dividend" income derived by a United States holder of a Recharacterised Note would not be eligible for the preferential income tax rates provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003. Each United States holder should consult its own tax advisors as to how it would be required to treat this income for purposes of its particular United States foreign tax credit calculation.

Classification of Issuer as Passive Foreign Investment Company

The Issuer will likely be treated as a passive foreign investment company ("**PFIC**") for United States federal income tax purposes. As a result, a United States holder of any Recharacterised Notes might be subject to potentially adverse United States federal income tax consequences as the holder of an equity interest in the Issuer. A United States holder of an equity interest in a PFIC that receives an "excess distribution" must allocate the excess distribution rateably to each day in the holder's holding period for the stock and will be subject to a "deferred tax amount" with respect to each prior year in the holding period. The total excess distribution for any taxable year is the excess of (a) the total distributions for the taxable year over (b) 125 per cent. of the average amount received in respect of such equity interest by the United States holder during the three preceding taxable years. In addition, any gain recognised on the sale, retirement or other taxable disposition of such Notes would be recharacterised as ordinary income and would further be treated as having been recognised *pro rata* over such United States holder's entire holding period. The amount of gain treated as having been recognised in prior taxable years would be subject to tax at the highest tax rate in effect for such years, with interest thereon calculated by reference to the interest rate generally applicable to underpayments with respect to tax liabilities from such prior taxable years.

Although, United States shareholders of a PFIC can mitigate any adverse tax consequences of the PFIC rules by filing an election to treat the PFIC as a qualified electing fund ("**QEF**") if the PFIC complies with certain reporting requirements, the Issuer does not intend to comply with such reporting requirements necessary to permit United States holders to elect to treat the Issuer as a QEF.

A United States holder that holds "marketable stock" in a PFIC may also avoid certain unfavourable consequences of the PFIC rules by electing to mark the Recharacterised Notes to market as of the close of each taxable year. A United States holder that made the mark-to-market election would be required to include in income each year as ordinary income an amount equal to the excess, if any, of the fair market value of the Recharacterised Notes at the close of the year over the United States holder's adjusted tax basis in the Recharacterised Notes. For this purpose, a United States holder's adjusted tax basis generally would be the United States holder's cost for the Recharacterised Notes, increased by the amount previously included in the United States holder's income pursuant to this mark-to-market election and decreased by any amount previously allowed to the United States holder as a deduction pursuant to such election (as described below). If, at the close of the year, the United States holder's adjusted tax basis exceeded the fair market value of the Recharacterised Note, then the United States holder would be allowed to deduct any such excess from ordinary income, but only to the extent of net mark-to-market gains on such Recharacterised Notes previously included in income. Any gain from the actual sale of the Recharacterised Notes would be treated as ordinary income, and to the extent of net mark-to-market gains previously included in income any loss would be treated as ordinary loss. Recharacterised Notes would be considered "marketable stock" in a PFIC for these purposes only if they were regularly traded on an exchange which the IRS determines has rules adequate for these purposes. Application has been made to the Official List of the Irish Stock Exchange for listing of the Notes. However, there can be no assurance that the Notes will be listed on the Official List of the Irish Stock Exchange, that they will be "regularly traded" or that such exchange would be considered a qualified exchange for these purposes.

Depending on the percentage of deemed equity interests of the Issuer held by United States holders, it is possible that the Issuer might be treated as a "controlled foreign corporation" or "foreign personal holding company" for United States federal income tax purposes. In such event, United States holders that own a certain percentage of Recharacterised Notes might be required to include in income their *pro rata* shares of the earnings and profits of the Issuer, and generally would not be subject to the rules described above relating to PFICs. Prospective investors should consult with their tax advisors concerning the potential effect of the controlled foreign corporation and foreign personal holding company provisions.

Information Reporting Requirements

The Treasury Department has issued regulations with regard to reporting requirements relating to the transfer of property (including certain transfers of cash) to a foreign corporation by United States persons or entities. In general, these rules require United States holders who acquire Notes that are characterised (in whole or in part) as equity of the Issuer to file a Form 926 with the IRS and to supply certain additional information to the IRS. In the event a United States holder fails to file any such required form, the United States holder may

be subject to a penalty equal to 10 per cent. of the fair market value of the Notes as of the date of purchase (generally up to a maximum penalty of U.S.$100,000 in the absence of intentional disregard of the filing requirement; in case of intentional disregard, no maximum applies). In addition, if (i) U.S. holders acquire Notes that are recharacterised as equity of the Issuer and (ii) the Issuer is treated as a "controlled foreign corporation" or a "foreign personal holding company" for United States federal income tax purposes, certain of those United States holders will generally be subject to additional information reporting requirements (e.g., certain United States holders will be required to file a Form 5471). Prospective investors should consult with their tax advisors concerning the additional information reporting requirements with respect to holding equity interest in foreign corporations.

Backup Withholding and Information Reporting

Information reporting to the IRS generally will be required with respect to payments of principal or interest or to distributions on the Notes and to proceeds of the sale of the Notes that, in each case, are paid by a United States payor or intermediary to United States holders other than corporations and other exempt recipients. "Backup" withholding tax will apply to those payments if such United States holder fails to provide certain identifying information (including such holder's taxpayer identification number) to such payor, intermediary or other withholding agent or such holder is notified by the IRS that it is subject to backup withholding. Non-United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding tax is not an additional tax and generally may be credited against a holder's United States federal income tax liability provided that such holder provides the necessary information to the IRS.

Tax Shelter Reporting Requirements – Currency Exchange Losses

Under recently issued United States Treasury regulations on tax shelter disclosure and list maintenance, taxpayers that enter into "reportable transactions" on or after 1st January, 2003, are required to file information returns. In the case of a corporation or a partnership whose partners are all corporations, a reportable transaction includes any transaction that generates, or reasonably can be expected to generate, a loss claimed under Section 165 of the Code (without taking into account any offsetting items) (a "**Section 165 Loss**") of at least U.S. $10 million in any one taxable year or U.S. $20 million in any combination of taxable years. In the case of any other partnership, a reportable transaction includes any transaction that generates, or reasonably can be expected to generate, a Section 165 Loss of at least U.S. $2 million in any taxable year or U.S. $4 million in any combination of taxable years. In the case of an individual or trust, a reportable transaction includes any transaction that generates, or can reasonably be expected to generate, a Section 165 Loss of at least U.S. $50,000 in any one taxable year arising from a currency exchange loss (for further information, see "Disposition of Notes by United States Holders - Foreign Currency Considerations") at page 257. In determining whether a transaction results in a taxpayer claiming a loss that meets the threshold over a combination of taxable years, only losses claimed in the taxable year that the transaction is entered into and the five succeeding taxable years are combined. Accordingly, if a United States holder realises currency exchange losses on the Notes satisfying the monetary thresholds discussed above, such United States holder would have to file an information return. Prospective investors should consult their tax advisers regarding these information return requirements.

ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes requirements on employee benefit plans (as defined in Section 3(3) of ERISA) subject to ERISA and on entities, such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (all of which are hereinafter referred to as "**ERISA Plans**"), and on persons who are fiduciaries (as defined in Section 3(21) of ERISA) with respect to such ERISA Plans. The Code also imposes certain requirements on ERISA Plans and on other retirement plans and arrangements, including individual retirement accounts and Keogh plans (such ERISA Plans and other plans and arrangements are hereinafter referred to as "Plans"). Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA), generally are not subject to the requirements of ERISA. Accordingly, assets of such plans may be invested in the Notes without regard to the ERISA prohibited transaction considerations described below, subject to the provisions of other applicable federal and state law.

Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification, requirements respecting delegation of investment authority and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. Each ERISA Plan fiduciary, before deciding to invest in the Notes, must be satisfied that investment in the Notes is a prudent investment for the ERISA Plan, that the investments of the ERISA Plan, including the investment in the Notes, are diversified so as to minimise the risk of large losses and that an investment in the Notes complies with the ERISA Plan and related trust documents.

Section 406 of ERISA and/or Section 4975 of the Code prohibits Plans from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under Section 4975 of the Code with respect to such Plans (collectively, "**Parties in Interest**"). The types of transactions between Plans and Parties in Interest that are prohibited include: (a) sales, exchanges or leases of property, (b) loans or other extensions of credit and (c) the furnishing of goods and services. Certain Parties in Interest that participate in a non-exempt prohibited transaction may be subject to an excise tax under ERISA or the Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the Plan for any losses realised by the Plan or profits realised by such persons and certain other liabilities could result that have a significant adverse effect on such persons.

Certain transactions involving the purchase, holding or transfer of the Notes might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Issuer were deemed to be assets of a Plan. Under regulations issued by the United States Department of Labor, set forth in 29 C.F.R. § 2510.3-101 (the "**Plan Asset Regulations**"), the assets of the Issuer would be treated as plan assets of a Plan for the purposes of ERISA and Section 4975 of the Code only if the Plan acquires an equity interest in the Issuer and none of the exceptions contained in the Plan Asset Regulations is applicable. An equity interest is defined under the Plan Asset Regulations as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is no authority directly on point, it is anticipated that the Class A Notes, the Class B Notes, Class C Notes and Class D Notes should be treated as indebtedness under local law without any substantial equity features for purposes of the Plan Asset Regulations. By contrast, the Class E Notes and the Class F Notes may be treated as "equity interests" for purposes of the Plan Asset Regulations. Accordingly, the Class E Notes and the Class F Notes may not be purchased by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code.

However, without regard to whether the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes are treated as an equity interest for such purposes, the acquisition or holding of the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes by or on behalf of a Plan could be considered to give rise to a prohibited transaction under ERISA or Section 4975 of the Code if the Issuer, MSDW Bank, the Managers, the Note Trustee or any of their respective affiliates is or becomes a Party in Interest with respect to such Plan. However, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the fiduciary making the decision to acquire the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes. Included among these exemptions are Prohibited Transaction Class Exemption ("**PTCE**") 84-14, which exempts certain transactions effected on behalf of a Plan by a "qualified professional asset manager", PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an "in-house asset manager", PTCE 90-1, which exempts certain transactions between insurance company separate accounts and Parties in Interest, PTCE 91-38, which exempts certain transactions between bank collective investment funds and Parties in Interest and PTCE 95-60, which exempts certain transactions between insurance company general accounts and Parties in Interest (collectively, the "**Exemptions**"). Even if the conditions specified in one or more of the Exemptions are met, the scope of the relief provided by the Exemptions might or might not cover all acts which might be construed as prohibited transactions.

Nevertheless, even if an Exemption applies, a Plan generally should not purchase the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes if the Issuer, MSDW Bank, the Managers, the Note Trustee, the Collateral Manager, the Special Collateral Manager, the Paying Agents, the Cash Manager, the Issuer Operating Bank, the Agent Bank, the Exchange Agent, the Issuer Security Trustee, the Share Trustee, the Nominee Trustee, the Registrar, the Depository, the Swap Provider, the Swap Guarantor, the Liquidity Facility Provider, the Corporate Services Provider or any of their respective affiliates either (a) has investment discretion with respect to the investment of assets of such Plan; (b) has authority or responsibility to give or regularly gives investment advice with respect to assets of such Plan, for a fee, and pursuant to an agreement or understanding that such advice will serve as a primary basis for investment decisions with respect to such assets and that such advice will be based on the particular investment needs of such Plan; or (c) is an employer maintaining or contributing to such Plan. A party that is described in clause (a) or (b) of the preceding sentence is a fiduciary under ERISA with respect to the Plan and any such purchase might result in a "prohibited transaction" under ERISA or the Code.

An insurance company proposing to invest assets of its general account in the Notes should consider the extent to which such investment would be subject to ERISA and Section 4975 of the Code. On 5th January, 2000, the United States Department of Labor issued a final regulation which provides guidance for determining, in cases where insurance policies supported by an insurer's general account are issued to or for the benefit of a Plan on or before 31st December, 1998, which general account assets are plan assets. That regulation generally provides that, if certain specified requirements are satisfied with respect to insurance policies issued on or before 31st December, 1998, the assets of an insurance company general account will not be plan assets. Nevertheless, certain assets of an insurance company general account may be considered to be plan assets. Therefore, if an insurance company acquires Notes using assets of its general account, certain of the insurance company's assets may be plan assets and the provisions of ERISA and Section 4975 of the Code could apply to such acquisition and the subsequent holding of the Notes. An insurance company using assets of its general account may not acquire Class E Notes or Class F Notes if any of such general account assets are considered to be plan assets.

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

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

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International Limited, Crédit Agricole Indosuez and Société Générale (together, the "**Managers**"), pursuant to a subscription agreement dated 10th December, 2003 (the "**Subscription Agreement**"), between the Managers, the Issuer, the Collateral Manager and the Originator, agreed, jointly and severally, subject to certain conditions, to subscribe and pay for the Class A Notes at 100 per cent. of the principal amount of such Notes, the Class B Notes at 100 per cent. of the principal amount of such Notes, the Class C Notes at 100 per cent. of the principal amount of such Notes, the Class D Notes at 100 per cent. of the principal amount of such Notes, the Class E Notes at 100 per cent. of the principal amount of such Notes and the Class F Notes at 100 per cent. of the principal amount of such Notes.

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

United States of America

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other relevant jurisdiction and may not be offered, sold or delivered in the United States to, or for the account or benefit of, U.S. Persons except in transactions exempt from the registration requirements of the Securities Act. In addition, each investor in the Notes taking delivery in the form of an interest in a Rule 144A Global Note will be deemed to represent and warrant, among other things, that it and each of the accounts, if any, for which it is purchasing an interest in a Rule 144A Global Note is both a Qualified Institutional Buyer and a Qualified Purchaser and (A) is not a dealer that owns and/or invests on a discretionary basis less than $25,000,000 in securities of issuers that are not affiliated persons of such person; (B) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such plan, unless the investment decisions with respect to such plan are made solely by the fiduciary, trustee or sponsor of such plan; (C) is not a corporation, partnership, common trust fund, special trust, pension fund, retirement plan or other entity in which the shareholders, partners, beneficiaries, beneficial owners or participants, as the case may be, may designate the particular investments to be made by such entity or the allocation of any such investment to such shareholders, partners, beneficiaries, beneficial owners or participants are both Qualified Purchasers and Qualified Institutional Buyers; (D) is not an entity that was formed, reformed or recapitalized for the specific purpose of investing in beneficial interests in the Notes and/or in other securities of the Issuer, unless all of the beneficial owners of such entity's securities are both Qualified Purchasers or Qualified Institutional Buyers; (E) is not an investment company that relies on the exclusion from the definition of "investment company" provided by Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act and that was formed prior to 30th April, 1996, unless such entity has received the consent of its beneficial owners with respect to the treatment of such entity as a Qualified Purchaser in the manner required by Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder; or (F) is not an entity that, immediately subsequent to its purchase or other acquisition of a beneficial interest in the Notes, will have invested more than 40 per cent. of its assets in beneficial interests in the Notes and/or in other securities of the Issuer (unless all of the beneficial owners of such entity's securities are both Qualified Purchasers and Qualified Institutional Buyers). Terms used in this paragraph and not defined herein have the meaning given to them by Regulation S. The Notes are not transferable except in accordance with the restrictions described herein under "Transfer Restrictions".

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise after the expiration of the Distribution Compliance Period within the United States or to, or for the account or benefit of, U.S. Persons and, accordingly, that neither it, its affiliates nor any person acting on their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes and it and its affiliates and any person acting on its or their behalf has complied with and will comply with the offering restriction requirements of Regulation S under the Securities Act to the extent applicable 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.

Each of the Managers has represented and agreed with the Issuer that within the United States it will only sell the Notes to persons (including other dealers) who are both Qualified Institutional Buyers and Qualified Purchasers in the form of an interest in a Rule 144A Global Note that is set out in the Note Trust Deed. In addition, the Issuer will have represented and agreed with the Managers that, based on discussions with the Managers and other factors that the Issuer or their counsel may deem appropriate, the Issuer has a reasonable belief that initial sales and subsequent transfers of the Notes held through DTC to U.S. Persons will be limited to persons who are both Qualified Institutional Buyers and Qualified Purchasers.

Each of the Managers has agreed that, in connection with each sale to a Qualified Institutional Buyer that is also a Qualified Purchaser, it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act and that transfers of the Notes are restricted as set forth in the Note Trust Deed.

In addition, with respect to the Notes, an offer or sale of such Notes within the United States by a manager or placement agent that is not participating in the offering may violate the registration requirements of the Securities Act. Any offer or sale of Notes will be made by broker-dealers, including affiliates of the Managers, who are registered as broker-dealers under the Exchange Act. The Managers may allow a concession, not in excess of the selling concession, to certain brokers or dealers.

The Issuer and the Managers will extend to each prospective investor the opportunity, prior to the consummation of the sale of the Notes, to ask questions of, and receive answers from, the Issuer concerning the Notes and the terms and conditions of this offering and to obtain any additional information it may consider necessary in making an informed investment decision and any information in order to verify the accuracy of the information set forth herein, to the extent the Issuer and/or the Managers, as applicable, possesses the same. Requests for such additional information may be directed to the directors of the Issuer.

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.

Austria

Each of the Managers has represented that it has not offered or advertised and will not offer or advertise the Notes, and no offering or marketing materials relating to the Notes have been made available or distributed or will be made available or distributed in any way, which would constitute a public offer under the Austrian Capital Markets Act (whether presently or in the future).

Belgium

Each Manager has represented that it has not offered for sale to the public in Belgium and has not undertaken any steps that could consist of a public offering of the Notes in Belgium. In particular, each Manager has represented that this Offering Circular has not been submitted to the Belgian Banking and Finance Commission for approval, nor has the latter reviewed, approved or commented on its accuracy or adequacy or recommended or endorsed the purchase of the Notes, and the Notes may be offered solely to institutional investors within the meaning set out in the Belgian Royal Decree of 7th July, 1999 on the public character of securities offerings. Each Manager has also represented that it has not rendered in or targeted at Belgium any services that would constitute financial services within the meaning of the Law of 2nd August, 2002 on the supervision of financial markets and financial services.

Denmark

Each Manager has represented that it has not offered or sold the Notes and has agreed that the Notes will not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark by way of public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 587 of 9th July, 2002, as amended from time to time and any Orders issued thereunder. In particular, each Manager has represented that it has not offered, sold or delivered the Notes and has agreed that it will not offer, sell or deliver the Notes in Denmark except where the Notes are offered to Danish professional investors acting in the course of their ordinary business, or where the minimum amount to be paid for the Notes is Danish Krone 300,000 (or the equivalent in another currency).

France

Each Manager has represented and agreed that it has not offered or sold, and will not offer or sell, directly, or indirectly, the Notes to the public in France and that offers and sales of the Notes in France will be made only to qualified investors (investisseurs qualifiés) as defined in Article L.411-2 of the French Code Monétaire et financier and decree no. 98-880 dated 1st 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 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.

Germany

Each Manager has represented that no German sales prospectus (*Verkaufsprospekt*) within the meaning of the German Prospectus Act has been or will be published with respect to the Notes. In particular, each Manager has represented not to offer or sell the Notes in Germany otherwise than in accordance with the German Prospectus Act and all other applicable legal and regulatory requirements in Germany governing the issue, the offering and the sale of securities.

Ireland

Each Manager has represented that the Notes will not be offered or sold in Ireland or elsewhere by means of any document prior to an application for listing of the Notes being made, the Irish Stock Exchange approving the Offering Circular in accordance with the Regulations, the approved Offering Circular being filed with the Irish Companies Registration Office and thereafter by means of any document other than (a) the relevant approved Offering Circular and/or (b) the form of application issued in connection with the Notes with the approved Offering Circular attached, except in circumstances which do not constitute an offer to the public within the meaning of the Irish Companies Acts, 1963-2001. Each Manager has also represented that this Offering Circular and any applications for the Notes will only be distributed, offered or sold (as the case may be) in conformity with the provisions of the Irish Investment Intermediaries Act 1995 (as amended) and the Irish Companies Acts, 1963-2001.

Jersey

Each Manager has represented that the Notes have not been offered or sold and will not be offered or sold to persons in Jersey except 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 who it is reasonable to expect will acquire, hold, arrange or dispose of investments (as principal or agent) for the purposes of their business and have not been offered or sold and are not being offered or sold in circumstances which have resulted or would result in an offer to the public within the meaning of the Control of Borrowing (Jersey) (Order) 1958 as amended or the Companies (Jersey) Law 1991, as amended.

Luxembourg

Each Manager has represented that it has not, directly or indirectly, offered, sold or issued invitations to subscribe for or buy or sell the Notes and has agreed that it will not, directly or indirectly, offer, sell or issue such invitations or distribute any draft or definitive document in relation to any such offer, invitation or sale in the Grand-Duchy of Luxembourg, except under circumstances that would result in compliance with the laws and regulations of the Grand-Duchy of Luxembourg.

Portugal

Each of the Managers has represented that it has not directly or indirectly offered, advertised, sold, re-sold or delivered in circumstances which could qualify as a public offer pursuant to the *Código dos Valores Mobiliários* or in circumstances which could qualify the issue of Notes as an issue in the Portugese market, and that it will not directly or indirectly distribute this Offering Circular, any other document, circular, advertisement or any offering material except in accordance with all applicable laws and regulations of Portugal.

Sweden

Each Manager has represented that it has not, directly or indirectly, offered, sold or issued invitations to subscribe for or buy or sell the Notes and has agreed that it will not, directly or indirectly, offer, sell or issue such invitations or distribute any draft or definitive document in relation to any such offer, invitation or sale in

the Kingdom of Sweden, except in compliance with the laws of Sweden. In particular, each manager has represented that it has not, directly or indirectly, offered, sold or issued invitations to subscribe for or buy or sell the Notes and has agreed that it will not, directly or indirectly, offer, sell or issue such invitations or distribute any draft or definitive document in relation to any such offer, invitation or sale in Sweden unless the offer, sale, issue or distribution is made to a "non-closed group" (*öppen krets*) or if the minimum amount to be paid by an investor for the Notes is Swedish Krona 300,000 (or the equivalent in another currency).

The United Kingdom

Each of the Managers has further represented and agreed that:

(a) it has not offered or sold and, prior to the expiry of a 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 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 Financial Services and Market Act 2000 ("**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; and

(c) it has complied and will comply with all applicable provisions of the FSMA, with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

General

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

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

Attention is drawn to the information set out under "Important Notice".

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other relevant jurisdiction and accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions described below.

Each purchaser of an interest in the Notes (each initial purchaser of Notes, together with each subsequent transferee of Notes, is referred to herein as the "**Purchaser**") will be deemed to have acknowledged, represented and agreed as follows (terms used in this section that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) Purchaser Requirements. The Purchaser (i) (A) is an Eligible Investor (as defined below), (B) will provide notice of applicable transfer restrictions to any subsequent transferee, and (C) is purchasing for its own account or for the accounts of one or more other persons each of whom meets all of the requirements of clauses (A) through (C), or (ii) if the Purchaser is acquiring the Notes during the Distribution Compliance Period, the Purchaser: is not a U.S. person and is acquiring the Notes pursuant to Rule 903 or 904 of Regulation S.

"**Eligible Investors**" are defined for the purposes hereof as persons who are Qualified Institutional Buyers acting for their own account or for the account of other Qualified Institutional Buyers and excludes therefrom:

(1) Qualified Institutional Buyers that are broker dealers that own and invest on a discretionary basis less than $25 million in "securities" as such term is defined under Rule 144A,

(2) a partnership, common trust fund, special trust, pension fund, retirement plan or other entity in which the partners, beneficiaries or participants, as the case may be, may designate the particular investments to be made, or the allocation thereof,

(3) an entity that was formed, reformed or recapitalised for the specific purpose of investing in the Notes,

(4) any investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof and formed prior to 30th April, 1996, that has not received the consent of its beneficial owners with respect to the treatment of such entity as a qualified purchaser in the manner required by Section 2(a)(51)(C) of the Investment Company Act and rules thereunder, and

(5) any entity that will have invested more than 40 per cent. of its assets in the securities of the Issuer subsequent to any purchase of the Notes.

The Purchaser acknowledges that each of the Issuer and the Note Trustee reserve the right prior to any sale or other transfer to require the delivery of such certifications, legal opinions and other information as the Issuer or the Note Trustee may reasonably require to confirm that the proposed sale or other transfer complies with the foregoing restrictions.

(2) Notice of Transfer Restrictions. Each Purchaser acknowledges and agrees that (1) the Notes have not been and will not be registered under the Securities Act and the Issuer has not been registered as an "investment company" under the Investment Company Act, (2) neither the Notes nor any beneficial interest therein may be re-offered, resold, pledged or otherwise transferred except in accordance with the provisions set forth above and (3) the Purchaser will notify any transferee of such transfer restrictions and that each subsequent holder will be required to notify any subsequent transferee of such Notes of such transfer restrictions.

(3) Legends on Rule 144A Global Note. Each Purchaser acknowledges that each Rule 144A Global Note will bear a legend substantially to the effect set forth below and that the Issuer has covenanted in the Note Trust Deed not to remove either such legend.

NEITHER THIS NOTE NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR ARE EXPECTED TO BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND THE ISSUER (AS DEFINED IN THE NOTE TRUST DEED) HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXCLUSION FROM THE DEFINITION OF "INVESTMENT COMPANY" PROVIDED BY SECTION 3(c)(7) OF THE INVESTMENT

COMPANY ACT, AS IT HAS BEEN DETERMINED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION STAFF TO APPLY IN THE CONTEXT OF SECTION 7(d) OF THE INVESTMENT COMPANY ACT.

BY PURCHASING OR OTHERWISE ACQUIRING A BENEFICIAL INTEREST IN THIS NOTE, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE REPRESENTED FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT (I)(A) IS AN "ELIGIBLE INVESTOR" (AS DEFINED BELOW), (B) WILL PROVIDE NOTICE OF APPLICABLE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, (C) IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNTS OF ONE OR MORE OTHER PERSONS EACH OF WHOM MEETS ALL THE PRECEDING REQUIREMENTS AND (D) AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN TO ANY PERSON EXCEPT TO A PERSON THAT MEETS ALL THE PRECEDING REQUIREMENTS AND AGREES NOT TO SUBSEQUENTLY TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN EXCEPT IN ACCORDANCE WITH THIS CLAUSE (D) OR (II) IS NOT A U.S. PERSON AND IS ACQUIRING THE NOTES PURSUANT TO RULE 903 OR 904 OF REGULATION S. IN THE CASE OF ANY SUCH TRANSFER PURSUANT TO CLAUSE (II), (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED TO BE REPRESENTED BY AN INTEREST IN THE REG S GLOBAL NOTE (AS DEFINED IN THE NOTE TRUST DEED); (2) THE TRANSFEROR WILL BE REQUIRED TO DELIVER A TRANSFER CERTIFICATE TO THE DEPOSITORY (THE FORM OF WHICH IS ATTACHED TO THE DEPOSITORY AGREEMENT AND IS AVAILABLE FROM THE DEPOSITORY), AND (3) THE TRANSFEREE WILL BE REQUIRED TO EXECUTE AN INVESTMENT LETTER (THE FORM OF WHICH IS ALSO ATTACHED TO THE DEPOSITORY AGREEMENT AND AVAILABLE FROM THE DEPOSITORY).

"**ELIGIBLE INVESTORS**" ARE DEFINED FOR THE PURPOSES HEREOF AS PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS ACTING FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF OTHER QUALIFIED INSTITUTIONAL BUYERS AND EXCLUDES THEREFROM: (I) QUALIFIED INSTITUTIONAL BUYERS THAT ARE BROKER DEALERS THAT OWN AND INVEST ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN "SECURITIES" AS SUCH TERM IS DEFINED UNDER RULE 144A, (II) A PARTNERSHIP, COMMON TRUST FUND, SPECIAL TRUST, PENSION FUND, RETIREMENT PLAN OR OTHER ENTITY IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE OR THE ALLOCATION THEREOF, (III) AN ENTITY THAT WAS FORMED, REFORMED OR RECAPITALIZED FOR THE SPECIFIC PURPOSE OF INVESTING IN THE NOTES, (IV) ANY INVESTMENT COMPANY EXCEPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(C)(1) OR SECTION 3(C)(7) THEREOF AND FORMED PRIOR TO 30 APRIL, 1996, THAT HAS NOT RECEIVED THE CONSENT OF ITS BENEFICIAL OWNERS WITH RESPECT TO THE TREATMENT OF SUCH ENTITY AS A QUALIFIED PURCHASER IN THE MANNER REQUIRED BY SECTION 2(A)(51)(C) OF THE INVESTMENT COMPANY ACT AND RULES THEREUNDER AND (V) ANY ENTITY THAT WILL HAVE INVESTED MORE THAN 40 PER CENT. OF ITS ASSETS IN THE SECURITIES OF THE ISSUER SUBSEQUENT TO ANY PURCHASE OF THE NOTES.

THE PURCHASER ACKNOWLEDGES THAT EACH OF THE ISSUER AND THE NOTE TRUSTEE RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER OR THE NOTE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS. EACH HOLDER OF A BENEFICIAL INTEREST IN THIS GLOBAL NOTE ACKNOWLEDGES THAT IN THE EVENT THAT AT ANY TIME THE ISSUER DETERMINES OR IS NOTIFIED BY A PERSON ACTING ON BEHALF OF THE ISSUER THAT SUCH PURCHASER WAS IN BREACH, AT THE TIME GIVEN OR DEEMED TO BE GIVEN, OF ANY OF THE REPRESENTATIONS OR AGREEMENTS SET FORTH IN THIS LEGEND OR OTHERWISE DETERMINES THAT ANY TRANSFER OR OTHER DISPOSITION OF ANY NOTES WOULD, IN THE SOLE DETERMINATION OF THE ISSUER OR A PERSON ACTING ON ITS BEHALF, REQUIRE THE ISSUER TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE PROVISIONS OF THE INVESTMENT COMPANY ACT, SUCH PURCHASE OR OTHER TRANSFER WILL BE VOID AB INITIO AND WILL NOT BE HONOURED BY THE NOTE TRUSTEE. ACCORDINGLY, ANY SUCH PURPORTED TRANSFEREE OR OTHER HOLDER WILL NOT BE ENTITLED TO ANY RIGHTS AS A NOTEHOLDER AND THE ISSUER SHALL HAVE THE RIGHT, IN ACCORDANCE WITH THE CONDITIONS OF THE NOTES, TO FORCE THE TRANSFER OF, OR REDEEM, ANY SUCH NOTES.

EACH PURCHASER OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, REPRESENTS AND WARRANTS THAT EITHER IT IS NOT A BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME

SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") WHICH IS SUBJECT THERETO (A "**BENEFIT PLAN**"), OR ANY PLAN AS DEFINED IN SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") WHICH IS SUBJECT THERETO (A "**PLAN**"), AN ENTITY USING THE ASSETS OR ACTING ON BEHALF OF SUCH A BENEFIT PLAN OR A PLAN, OR AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE PLAN ASSETS OF ANY SUCH BENEFIT PLAN OR PLAN. ANY ATTEMPTED TRANSFER OF SUCH NOTE OR ANY INTEREST THEREIN IN VIOLATION OF SUCH REPRESENTATION AND WARRANTY SHALL BE VOID AB INITIO.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. TERMS WHICH ARE USED IN THIS LEGEND HAVE THE MEANINGS GIVEN TO THEM UNDER SUCH RULE.

(4) Rule 144A Information. Each Purchaser of Notes offered and sold in the United States under Rule 144A is hereby notified that the offer and sale of such Notes to it is being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. The Issuer has agreed to furnish to investors upon request such information as may be required by Rule 144A.

(5) Legends on Reg S Global Note. Each Purchaser acknowledges that each Reg S Global Note will bear a legend substantially to the effect set forth below and that the Issuer has covenanted in the Note Trust Deed not to remove either such legend.

NEITHER THIS NOTE NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR ARE EXPECTED TO BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND THE ISSUER (AS DEFINED IN THE NOTE TRUST DEED) HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXCLUSION FROM THE DEFINITION OF "INVESTMENT COMPANY" PROVIDED BY SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, AS IT HAS BEEN DETERMINED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION STAFF TO APPLY IN THE CONTEXT OF SECTION 7(d) OF THE INVESTMENT COMPANY ACT.

BY PURCHASING OR OTHERWISE ACQUIRING ANY BENEFICIAL INTEREST IN THIS NOTE, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE AGREED FOR THE BENEFIT OF THE ISSUER THAT IF IT SHOULD DECIDE TO DISPOSE OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE PRIOR TO THE TERMINATION OF THE DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), BENEFICIAL INTERESTS IN THIS GLOBAL NOTE MAY BE OFFERED, RESOLD OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE INVESTMENT COMPANY ACT. ACCORDINGLY, ANY TRANSFERS OF THE NOTES PRIOR TO THE TERMINATION OF THE DISTRIBUTION COMPLIANCE PERIOD MAY ONLY BE MADE: (A) TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT OR (B) TO OR FOR THE ACCOUNT OR BENEFIT OF A U.S. PERSON (AS DEFINED IN REGULATION S) IN A TRANSACTION PURSUANT TO RULE 144A UNDER THE SECURITIES ACT TO PERSONS WHO QUALIFY AS "ELIGIBLE INVESTORS" (AS DEFINED IN THE NOTE TRUST DEED). IN THE CASE OF ANY SUCH TRANSFER PURSUANT TO CLAUSE (B), (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED TO BE REPRESENTED BY AN INTEREST IN THE RULE 144A GLOBAL NOTE (AS DEFINED IN THE NOTE TRUST DEED); (2) THE TRANSFEROR WILL BE REQUIRED TO DELIVER A TRANSFER CERTIFICATE TO THE DEPOSITORY (THE FORM OF WHICH IS ATTACHED TO THE DEPOSITORY AGREEMENT AND IS AVAILABLE FROM THE DEPOSITORY), AND (3) THE TRANSFEREE WILL BE REQUIRED TO EXECUTE AN INVESTMENT LETTER (THE FORM OF WHICH IS ALSO ATTACHED TO THE DEPOSITORY AGREEMENT AND AVAILABLE FROM THE DEPOSITORY).

(6) Mandatory Transfer/Redemption. Each Purchaser acknowledges and agrees that in the event that at any time the Issuer determines (or is notified by a person acting on behalf of the Issuer) that such Purchaser was in breach, at the time given or deemed to be given, of any of the representations or agreements set forth above or otherwise determines that any transfer or other disposition of any Notes would, in the sole determination of the Issuer or the Note Trustee acting on behalf of the Issuer, require the Issuer to register as an "investment

company" under the provisions of the Investment Company Act, such purchase or other transfer will be void ab initio and will not be honoured by the Note Trustee. Accordingly, any such purported transferee or other holder will not be entitled to any rights as a Noteholder and the Issuer shall have the right to force the transfer of, or redeem, any such Notes.

(7) Regulation S Transfers during the Distribution Compliance Period. If the Purchaser has acquired the Notes in a sale or other transfer being made in reliance upon Regulation S, the Purchaser agrees that during the Distribution Compliance Period, it will not offer, resell, pledge or otherwise transfer such Notes to or for the account or benefit of any U.S. person other than to a person meeting the requirements set forth above and in the legend set forth above under (5) appearing on the Reg S Global Notes.

CD-ROM DISCLAIMER

The CD-ROM distributed contemporaneously with this Offering Circular contains a summary, in PDF format, of each report compiled for the purposes of ascertaining the Origination Valuation in respect of each Property prior to advancing any amounts under the relevant Loan (each an "**Origination Valuation Report**"). Prospective investors should be aware that each Origination Valuation Report on which the relevant summary is based was prepared prior to the date of this Offering Circular. None of the firms that produced the relevant Origination Valuation Report has been requested to update or revise any of the information contained in the Origination Valuation Report nor to review, update or comment on the information contained in the summaries provided in the enclosed CD-ROM, nor shall they be requested to do so prior to the issue of the Notes. Accordingly, the information included in each Origination Valuation Report and, therefore, the summaries contained in the enclosed CD-ROM, may not reflect the current physical, economic, competitive, market and other conditions with respect to the Properties. The information contained in the CD-ROM does not appear elsewhere in paper form in this Offering Circular and must be considered together with all of the information contained elsewhere in this Offering Circular, including without limitation, the statements made in the section entitled "Risk Factors – Valuations" at page 61. All of the information contained in the CD-ROM is subject to the same limitations, qualifications and restrictions contained in the other portions of this Offering Circular. Prospective investors are strongly urged to read this Offering Circular in its entirety prior to accessing the CD-ROM. If the CD-ROM was not received in a sealed package, there can be no assurance that it remains in its original format and should not be relied upon for any purpose.

The information contained in the CD-ROM does not form part of the information provided for the purposes of this Offering Circular.

All information contained in the CD-ROM is confidential and must be treated as such by any person into whose possession it comes.

GENERAL INFORMATION

1. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 10th December, 2003.

2. It is expected that listing of the Notes on the Official List of the Irish Stock Exchange will be granted on or about 12th December, 2003 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 euro and for delivery on the third working day after the day of the transaction. The Class F Notes are expected to be eligible for trading in the PORTAL Market, the National Association of Securities Dealers' screen-based automated market for trading of securities eligible for resale under Rule 144A; however, no assurance can be given as to the liquidity of, or trading market for, the Class F Notes.

3. The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg as follows:

	Common Code (for Reg S Notes)	**ISIN (for Reg S Notes)**	**CUSIP (for Rule 144A Notes)**	**Common Code (for Rule 144A Notes)**	**ISIN (for Rule 144A Notes)**
Class A	018143135	XS0181431353	903993QB2	018143151	XS0181431510
Class B	018143216	XS0181432161	903993QD8	018143305	XS0181433052
Class C	018143321	XS0181433219	903993QF3	018143330	XS0181433300
Class D	018143356	XS0181433565	903993QH9	018143399	XS0181433995
Class E	018143437	XS0181434373	903993QJ5	018143461	XS0181434613
Class F	018143518	XS0181435180	903993QL0	018143542	XS0181435420

4. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Notes are listed on the Official List of the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified offices of the Paying Agent in Dublin. The Issuer does not publish interim accounts.

5. The Issuer is not, and has not been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's financial position.

6. Since the date of its incorporation, the Issuer has entered into the Subscription Agreement being a contract entered into other than in its ordinary course of business.

7. BDO Compagnie Fiduciaire, auditors of the Issuer, has given and not withdrawn its written consent to the issue of this Offering Circular with the inclusion of its report and references to its name in the form and context in which they are included and has authorised the contents of that part of this Offering Circular.

8. Save as disclosed herein, since 7th July, 2003 (being the date of incorporation of the Issuer), there has been (i) no material adverse change in the financial position or prospects of the Issuer and (ii) no significant change in the trading or financial position of the Issuer.

9. 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 7, Val Sainte–Croix, L–1371 Luxembourg, and at the specified offices of the Sub-Paying Agent in Dublin during the period of 14 days from the date of this document:

   (i) the Articles of Association of the Issuer;

   (ii) the balance sheet of the Issuer as at 10th December, 2003 and the auditors' report thereon;

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

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

      (a) the Note Trust Deed;

      (b) the French Units;

(c) the Irish Notes;

(d) the Belgian Bonds;

(e) the Issuer French Unit Nantissement;

(f) the Issuer Irish Deed of Charge and Assignment;

(g) the French Master Definitions Agreement;

(h) the French Asset Transfer Agreement;

(i) the French Issuer Cash Management Agreement;

(j) the French Issuer Servicing Agreement;

(k) the French Issuer Sub-Servicing Agreement;

(l) the French Issuer Operating Bank Account Agreement;

(m) the French Issuer Regulations;

(n) the French Unit Subscription Agreement;

(o) the Irish Deed of Charge and Assignment;

(p) the Irish Master Definitions Agreement;

(q) the Irish Asset Transfer Agreement;

(r) the Irish Issuer Master Security Terms;

(s) the Irish Issuer Corporate Services Agreement;

(t) the Irish Issuer Servicing Agreement;

(u) the Irish Note Subscription Deed;

(v) the Irish Share Declaration of Trust;

(w) the Belgian Bond Sale Agreement;

(x) the Single Belgian Bond Sale Agreement;

(y) the Issuer Belgian Bond Pledge Agreement;

(z) the Issuer Deed of Charge and Assignment;

(aa) the Share Declaration of Trust;

(bb) the Nominee Declaration of Trust;

(cc) the Collateral Management Agreement;

(dd) the Cash Management Agreement;

(ee) the Swap Agreement, the Swap Agreement Credit Support Document and the Swap Guarantee;

(ff) the Corporate Services Agreement;

(gg) the Domiciliation Agreement;

(hh) the Liquidity Facility Agreement;

(ii) the Inter-Company Loan Agreement

(jj) the Depository Agreement;

(kk) the Agency Agreement;

(ll) the Exchange Rate Agency Agreement; and

(mm) the Master Definitions Schedule.

APPENDIX 1
THE FIRST PRINCIPAL BORROWER

The First Principal Borrower

The First Principal Borrower, EFP Elancourt, was incorporated in France, on 14th December, 2001 (registered number 440214211) as a simplified limited liability company under the French *Code de commerce*. The registered office of the company is at 20, rue Léonard de Vinci, 75116 Paris.

The First Principal Borrower is a wholly owned subsidiary of Euro Real Estate Properties, a company incorporated in Luxembourg. The First Principal Borrower has no subsidiaries of its own.

Principal Activities

The principal business of the First Principal Borrower is the acquisition and the operation of property as well as the financing or refinancing of such acquisitions. It was set up specifically for the purpose of acquiring the property located at boulevard Jean Moulin, ZAC de la Clef Saint Pierre, 78130 Elancourt (the "**Elancourt Property**").

Since the date of its incorporation, the First Principal Borrower has not engaged in any activities other than as set out above.

Under the EFP Elancourt Loan Agreement, the First Principal Borrower represents that it 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 First Principal Borrower is aware) which may have, or have had, since the date of its incorporation, a significant effect on the First Principal Borrower's financial position.

Principal Officers

The principal officer of the First Principal Borrower is as follows:

Name	Business Address
M. Arnaud Bonnier (Chairman)	20, rue Léonard de Vinci, 75116 Paris

Capitalisation and Indebtedness Statement

Capitalisation and indebtedness of the First Principal Borrower as at the date of this Offering Circular is as follows:

Share Capital

The authorised and issued share capital of the First Principal Borrower comprises 40,000 shares of ε1 each.

Loan Capital

The outstanding loan capital of the First Principal Borrower consists of ε80,008,000 drawn down under the EFP Elancourt Loan from the Originator and secured on the Elancourt Property.

The Loan

The principal amount of the EFP Elancourt Loan is ε83,500,000 which was fully drawn down on 18th December, 2002. Interest is payable quarterly in arrear at a fixed rate on the 5th day of February, May, August and November in each year during the subsistence of the Loan. The principal amount outstanding of the EFP Elancourt Loan as at the Cut-Off Date is ε80,891,000. The EFP Elancourt Loan is to be amortised in accordance with a repayment schedule. The balance is to be repaid on 5th November, 2009 (subject to earlier prepayment). The first payment of interest under the EFP Elancourt Loan was made on 5th February, 2003.

The EFP Elancourt Loan is secured by a lender's privilege and second and third ranking mortgages over the Elancourt Property, together with pledges over the company's accounts and an assignment of the company's other assets (rents and insurance policies), a pledge over the company's shares granted by the shareholder, a delegation of guarantee, an assignment of receivables under the guarantee from WEPLA and a subordination agreement.

The Property

The Elancourt Property comprises a modern office building located in the town of Elancourt, close to Paris, a sector mainly composed of industrial buildings and several major domestic and international companies. The Elancourt Property is owned by the First Principal Borrower and is leased to THALES, a world leader in electronic systems. The lease is for a term of nine years (no break options), as from 1st January, 2002. The gross annual rental income received by EFP Elancourt from THALES as at the Cut-Off Date was ε9,775,529. The rent is increased annually in line with the cost of construction index published by *L'Institut National de la Statistique et des Études Économiques* (INSEE).

Sub-letting of the Elancourt Property is permitted under the terms of the Lease Agreement entered into with THALES. However, in the event that whole or part of the EFP Elancourt Property is sub-let, THALES would remain primarily liable for payment of rent to the First Principal Borrower.

The Elancourt Property is used for office or similar business/commercial purposes.

APPENDIX 2
THE SECOND PRINCIPAL BORROWER

The Second Principal Borrower

The Second Principal Borrower, CEREP Carillon SARL, was incorporated in France on 26th October 2001 (registered number 439639212) as a limited liability company (*société à responsabilité limitée*) under the French *Code de commerce*. The registered office of the company is at 24, rue Jacques Ibert, 92300 Levallois Perret.

The Second Principal Borrower is a wholly owned subsidiary of CEREP SARL, a company incorporated in Luxembourg. The Second Principal Borrower has no subsidiaries of its own.

Principal Activities

Pursuant to Article 2 of its memorandum of association the principal business of the Second Principal Borrower is the acquisition and the operation of property. It was set up specifically for the purpose of acquiring the property located at 5-6 Esplanade Charles de Gaulle, F-92000 Nanterre (the "**CEREP Carillon Property**").

Since the date of its incorporation, the Second Principal Borrower has not engaged in any activities other than the purchase and management of the CEREP Carillon Property.

The Second Principal Borrower is not, and has not been involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Second Principal Borrower is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Second Principal Borrower's financial position.

Principal Officer

The principal officer of the Second Principal Borrower is as follows:

Name	Business Address
Eric Sasson (Co-Manager)	24, rue Jacques Ibert, 92300 Levallois Perret
MM. Robert Hodges (Co-Manager)	24, rue Jacques Ibert, 92300 Levallois Perret

Capitalisation and Indebtedness Statement

The capitalisation and indebtedness of the Second Principal Borrower as at the date of this offering circular is as follows:

Share Capital

The authorised and issued share capital of the Second Principal Borrower comprises 3,413,405 shares of ε1 each.

Loan Capital

The outstanding loan capital of the Second Principal Borrower consists of ε67,575,000 drawn down under the CEREP Carillon Loan and is secured on the CEREP Carillon Property.

Except as set out above, the Second Principal Borrower has no outstanding loan capital, borrowings, indebtedness or contingent liabilities (other than in relation to the CEREP Carillon Property) and the Second Principal Borrower has not created any mortgages or charges, nor has it given any guarantees as of the date of this Offering Circular (other than in favour of the Lender).

The Loan

The principal amount of the CEREP Carillon Loan made to the Second Principal Borrower is ε67,575,000 which was fully drawn down on 17th July, 2003. The principal amount outstanding of the CEREP Carillon Loan at the Cut-Off Date is ε67,575,000. Interest is payable quarterly in arrear at a fixed rate on the 31st day of January, April, July and October in each year during the subsistence of the facility. The CEREP Carillon Loan

is to be amortised in accordance with a repayment schedule. The balance is to be repaid on 31st July 2007 (subject to earlier prepayment). The first payment of interest under the CEREP Carillon Loan and the first amortisation payment were each made on 31st October, 2003.

The CEREP Carillon Loan is secured by a lender's privilege and second ranking mortgages over the CEREP Carillon Property, together with pledges over the company's accounts and an assignment of the company's receivables (rents and insurance policies), a pledge over the company's shares granted by the shareholder, a first demand bank guarantee in the amount of ε5,000,000 granted by The Royal Bank of Scotland plc, a pledge of subordinated loan debts granted by the subordinated lender and a subordination agreement.

The Property

The CEREP Carillon Property comprises a modern office building located in Nanterre. The CEREP Carillon Property is owned by the Second Principal Borrower and is leased to Compagnie Générale des Eaux ("**CGE**") and SMI. The CGE lease is for a term of 12 years (no break), as from 1st May, 2003. The gross annual rental income received from CGE as at cut-off date was ε4,390,045. The rent is increased annually in line with the cost of construction index. The lease is subject to a two-month rent-free period. The SMI lease is for a term of nine years, as from 1st July, 1999. The gross annual rental income received from SMI as at cut-off date was ε152,160. The rent is increased annually in line with the cost of construction index published by *L'Institut National de la Statistique et des Études Économiques* (INSEE).

Sub-letting of the CEREP Carillon Property is not permitted without CEREP Carillon's approval under the terms of the CGE lease other than to affiliated companies of CGE or with respect to parking lots. Under the terms of the SMI lease, sub-letting is permitted.

The CEREP Carillon Property is used for office or similar business/commercial purposes.

APPENDIX 3
INDEX OF PRINCIPAL DEFINED TERMS

REGISTERED AND HEAD OFFICE OF THE ISSUER
7, Val Sainte – Croix,
L – 1371
Luxembourg

NOTE TRUSTEE AND ISSUER SECURITY TRUSTEE
HSBC Bank USA
452, Fifth Avenue
New York
New York 10018

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

AUDITORS TO THE ISSUER
BDO Compagnie Fiduciaire
5-11, boulevard de la Foire
L-1528 Luxembourg

LEGAL ADVISERS

To the Managers
As to English and U.S. Law:
Sidley Austin Brown & Wood
1 Threadneedle Street
London EC2R 8AW

To the Note Trustee and the Issuer Security Trustee
As to English Law:
Sidley Austin Brown & Wood
1 Threadneedle Street
London EC2R 8AW

To the Managers
As to Irish Law:
A&L Goodbody
North Wall Quay
Dublin 1

To the Managers
As to French Law:
Jones Day
120, rue du Faubourg Saint-Honoré
75008 Paris

To the Managers
As to Belgian Law:
Freshfields Bruckhaus Deringer
Bastion Tower
Place du Champs de Mars 5
Brussels 1050

To the Issuer
As to Luxembourg Law:
Bonn Schmitt Steichen
44, rue de la Vallée
L-2661 Luxembourg

PRINCIPAL PAYING AGENT, CASH MANAGER, AGENT BANK AND OPERATING BANK
HSBC Bank plc
Mariner House
Pepys Street
London EC3N 4DA

SUB-PAYING AGENT
HSBC Global Investor Services (Ireland) Limited
International House
20-22 Lower Hatch Street
Dublin 2

DEPOSITORY AND REGISTRAR
HSBC Bank USA
452, Fifth Avenue
New York
New York 10018

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