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This offering circular has been delivered to you on the basis that you are a person into whose possession this offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. By accessing the offering circular, you shall be deemed to have confirmed and represented to us that (a) you have understood and agree to the terms set out herein, (b) you consent to delivery of the offering circular by electronic transmission, (c) you are not a U.S. person (within the meaning of Regulation S under the Securities Act) or acting for the account or benefit of a U.S. person and the electronic mail address that you have given to us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands) or the District of Columbia, (d) you have not duplicated, distributed, forwarded, transferred or otherwise transmitted this document or any other presentational or other materials concerning this offering (including electronic copies thereof) to any persons within the United States and agree that such materials shall not be duplicated, distributed, forwarded, transferred or otherwise transmitted by you, (e) you have made your own assessment concerning the relevant tax, legal and other economic consideration relevant to an investment in the Notes and (f) if you are a person in the United Kingdom, then you are a person who (i) has professional experience in matters relating to investments or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of LONDON & REGIONAL DEBT SECURITISATION NO.2 PLC nor MORGAN STANLEY & CO. INTERNATIONAL LIMITED (nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from LONDON & REGIONAL DEBT SECURITISATION NO.2 PLC or MORGAN STANLEY & CO. INTERNATIONAL LIMITED.

**London & Regional Debt Securitisation No.2 PLC**  
(Incorporated with limited liability in England and Wales with registration number 5835837)

**£190,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2015**

**£16,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2015**

**£50,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2015**

London & Regional Debt Securitisation No.2 PLC (the **Issuer**) will issue the £190,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2015 (the **Class A Notes**), the £16,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2015 (the **Class B Notes**) and the £50,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2015 (the **Class C Notes**) and, together with the Class A Notes and the Class B Notes, the **Notes** on 28 July 2006 (or such later date as the Issuer may agree with the Lead Manager (as defined below)) (the **Closing Date**). Application has been made to the Irish Financial Services Regulatory Authority (**IFSRA**), as competent authority under Directive 2003/71/EC (the **Prospectus Directive**) for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange Limited (the **Stock Exchange**) for the Notes to be admitted to the Official List and trading on its regulated market. This document constitutes the prospectus (the **Prospectus**) for the purposes of the Prospectus Directive. Reference throughout the document to "Offering Circular" shall be taken to read "Prospectus".

The Class A Notes are expected, on issue, to be assigned ratings of AAA by Fitch Ratings Ltd. (**Fitch**) and Aaa by Moody's Investors Service, Inc. (**Moody's** and, together with Fitch, the **Rating Agencies**). The Class B Notes are expected, on issue, to be assigned ratings of AAA by Fitch and Aa2 by Moody's. The Class C Notes are expected, on issue, to be assigned ratings of AA- by Fitch and A2 by Moody's. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by one or more of the assigning rating organisations. The ratings from Fitch only address the likelihood of timely receipt by any Noteholder of interest on the Notes and the likelihood of receipt by any Noteholder of principal in respect of the Notes by the Final Maturity Date (as defined below). The ratings assigned by Moody's address the expected loss posed to any Noteholder by the Final Maturity Date. In Moody's opinion, the structure allows for timely payment of interest and ultimate repayment of principal at par on, or before, the Final Maturity Date (as defined below).

Interest on the Notes will be payable quarterly in arrear in pounds sterling on 15 January, 15 April, 15 July and 15 October in each year (subject to adjustment for non-business days) (each, an **Interest Payment Date**). The first Interest Payment Date will be the Interest Payment Date falling in October 2006. The interest rate applicable to each Class of Notes from time to time will be determined by reference to the London interbank offered rate for three month sterling deposits (or in respect of the first interest period, the linear interpolation of the rates for two and three month sterling deposits) (**LIBOR** (as determined in accordance with **Condition 5.4**)) plus a margin of 0.21 per cent. in the case of the Class A Notes, a margin of 0.30 per cent. in the case of the Class B Notes and a margin of 0.50 per cent. in the case of the Class C Notes (each, a **Margin**).

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

All Notes will be secured by the same security, subject to the priorities described in this Offering Circular. Notes of each Class will rank *pari passu* with other Notes of the same Class. Unless previously redeemed in full, the Notes of each Class will mature on the Interest Payment Date falling in October 2015 (the **Final Maturity Date**). The Notes will be subject to mandatory redemption before such date in the specific circumstances and subject to the conditions more fully set out under "Terms and Conditions of the Notes". The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and are subject to U.S. tax law requirements. The Notes are being offered by the Issuer only to persons who are not U.S. Persons (as defined in Regulation S under the Securities Act (**Regulation S**)) in offshore transactions in reliance on Regulation S (or otherwise pursuant to transactions exempt from the registration requirements of the Securities Act) and in accordance with applicable laws.

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

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

**MORGAN STANLEY**

Lead Manager

The date of this Offering Circular is 25 July 2006

THE NOTES AND INTEREST THEREON WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OR RESPONSIBILITIES OF, NOR WILL THEY BE GUARANTEED BY, MORGAN STANLEY & CO. INTERNATIONAL LIMITED (THE **LEAD MANAGER**), THE NOTE TRUSTEE, THE BORROWER SECURITY TRUSTEE, THE PAYING AGENTS, THE AGENT BANK, THE LIQUIDITY FACILITY PROVIDER, THE SWAP GUARANTOR, THE SWAP COUNTERPARTY, THE CASH MANAGER, OPTIONCO, THE RENT ACCOUNT BANK OR THE ACCOUNT BANK (AS EACH TERM IS DEFINED IN THIS OFFERING CIRCULAR) OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS OR AFFILIATED WITH ANY OF THEM OR LONDON & REGIONAL GROUP HOLDINGS LIMITED (**L&R**) OR ANY OTHER COMPANY (OTHER THAN THE ISSUER) IN THE SAME GROUP OF COMPANIES OR AFFILIATED WITH L&R (THE **L&R GROUP, LONDON AND REGIONAL AND LONDON & REGIONAL**).

The Issuer (as **Responsible Person** for the purposes of the Prospectus Directive) accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

The information contained in the section of this Offering Circular entitled "*Valuation Reports*" has been reproduced from the Valuation Reports accurately and, as far as the Issuer is aware, free from any material omission.

No person is or has been authorised to give any information or to make any representation in connection with the issue and sale of the Notes other than those contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, Lead Manager, the Note Trustee, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Swap Guarantor, the Swap Counterparty, the Cash Manager, Optionco, the Rent Account Bank or the Account Bank or any of their respective affiliates or advisers. Neither the delivery of this Offering Circular nor any sale, allotment or solicitation made in connection with the offering of the Notes shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer or in any of the information contained herein since the date of this document or that the information contained in this document is correct as of any time subsequent to its date. The Lead Manager expressly does not undertake to review the Issuer/Borrower Loans, the Intra-Group Loans or the Properties during the life of the Notes or to advise any investor in the Notes of any information coming to its attention.

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

Other than the approval by the Irish Financial Services Regulatory Authority of this Offering Circular as a prospectus in accordance with the requirements of the Prospectus Directive, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part hereof) comes are required by the Issuer and the Lead Manager to inform themselves about and to observe any such restrictions. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Offering Circular, see "*Subscription and Sale*" below.

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

References in this document to **£, pounds or sterling** are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland and references to **€, Euro or EUR** are to the single currency introduced at the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended from time to time.

**In connection with the issue of the Notes, Morgan Stanley & Co. International Limited (in this capacity, the *Stabilising Manager*) or any person acting for it may over-allot Notes (provided that, in the case of the Notes to be listed on the Stock Exchange, the aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of **the relevant tranche**) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the *Stabilising Manager* or any person acting for it will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue of the Notes and 60 days after the date of the allotment of the Notes.**

Prospective Noteholders should note that in this Offering Circular where reference is made to, or calculations are based on, the value of the Properties, such value is based on the values attributed to the Properties in the Valuation Reports, see "*Valuation Reports*".

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## SUMMARY INFORMATION

*The information in this section does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Offering Circular. Prospective Noteholders are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Offering Circular in making any decision whether or not to invest in any Notes.*

*Capitalised terms used, but not defined, in this section can be found elsewhere in this Offering Circular, unless otherwise stated. An index of defined terms is set out at the end of this Offering Circular.*

<b>Issuer:</b>	London & Regional Debt Securitisation No.2 PLC
<b>Borrower:</b>	London & Regional Portfolio Finance Limited
<b>L&amp;R Parent:</b>	London and Regional Group Finance Limited (which owns all the shares in the Borrower and 49,999 of the shares in the Issuer)
<b>Propcos:</b>	<ol style="list-style-type: none"><li>1. Am-Coff Limited;</li><li>2. Bayford Properties Limited;</li><li>3. Cochrane Square SPV Limited;</li><li>4. Cornice Properties Limited;</li><li>5. Haymarket SPV Limited;</li><li>6. London &amp; Regional (Bewlay House) Limited;</li><li>7. London &amp; Regional (Empire) Limited;</li><li>8. London &amp; Regional (Green Park Hotel) Limited;</li><li>9. London &amp; Regional (Sheffield) Limited;</li><li>10. London &amp; Regional (Stockport) Limited;</li><li>11. London &amp; Regional (Trafalgar Square Hotel) Limited;</li><li>12. LR (Cardiff) Limited;</li><li>13. LR (South Eastern) Limited;</li><li>14. LR (Stratford) Limited;</li><li>15. LR Estates Limited;</li><li>16. LR Investments Limited;</li><li>17. Marshset Limited;</li><li>18. Richian Limited;</li></ol>

19. Rubtrade Limited; and

20. Widerace Limited.

<b>Share Mortgagors:</b>	London & Regional Investment Holdings Limited, London & Regional Investments Limited, LR Estates Limited, London & Regional Hotel Holdings Limited, London & Regional PFI Projects Holdings Limited, London and Regional Commercial Properties Holdings Limited and L&R Parent		
<b>Obligors:</b>	The Borrower and each Propco		
<b>Note Trustee:</b>	The Bank of New York		
<b>Borrower Security Trustee:</b>	The Bank of New York		
<b>Liquidity Facility Provider:</b>	Lloyds TSB Bank plc		
<b>Cash Manager:</b>	The Bank of New York		
<b>Account Bank:</b>	The Bank of New York		
<b>Swap Counterparty:</b>	Morgan Stanley & Co. International Limited		
<b>Swap Guarantor:</b>	Morgan Stanley		
<b>Properties:</b>	A portfolio of 27 commercial properties as further described in " <i>Key characteristics of the Properties</i> ", below.		
	<b>Class A Notes:</b>	<b>Class B Notes:</b>	<b>Class C Notes:</b>
<b>Principal Amount:</b>	£190,000,000	£16,000,000	£50,000,000
<b>Issue Price:</b>	100 per cent.	100 per cent.	100 per cent.
<b>Interest Rate:</b>	Three month sterling LIBOR (or in respect of the first interest period, the linear interpolation of the rates for two and three month sterling LIBOR) + Margin		
<b>Margins:</b>	0.21 per cent.	0.30 per cent.	0.50 per cent.
<b>Interest Accrual Method:</b>	Actual/365		
<b>Interest Payment Dates:</b>	15 January, 15 April, 15 July and 15 October in each year, commencing the Interest Payment Date falling in October 2006		
<b>Final Maturity Date:</b>	Interest Payment Date falling in October 2015		
<b>Expected Maturity Date:</b>	Interest Payment Date falling in October 2013		
<b>Expected Average Life:</b>	7 years		

<b>Application for Listing:</b>	Irish Stock Exchange		
	<b>Class A Notes:</b>	<b>Class B Notes:</b>	<b>Class C Notes:</b>
<b>ISIN:</b>	XS0262542565	XS0262544348	XS0262545402
<b>Common Code:</b>	026254256	026254434	026254540
<b>Expected Ratings:</b>	AAA/Aaa	AAA/Aa2	AA-/A2

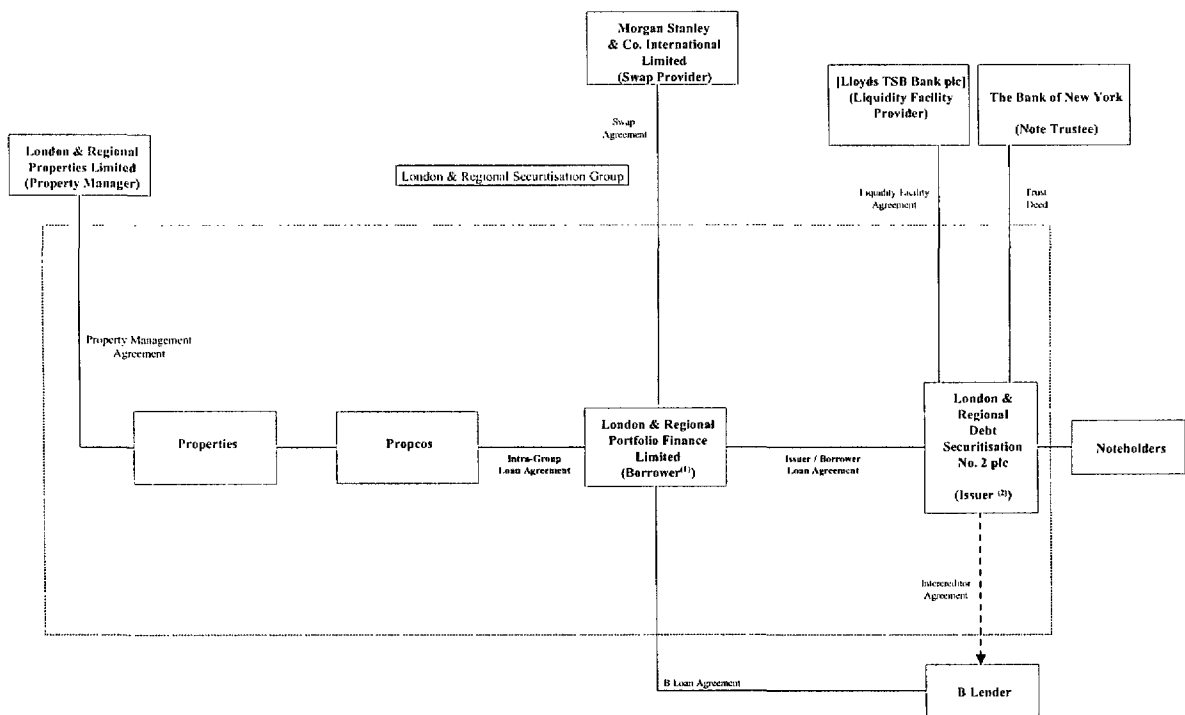


## TRANSACTION SUMMARY

The information in this section does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Offering Circular. Prospective Noteholders are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Offering Circular in making any decision whether or not to invest in any Notes.

Capitalised terms used, but not defined, in this section can be found elsewhere in this Offering Circular, unless otherwise stated. An index of defined terms is set out at the end of this Offering Circular.

The following structure diagram illustrates a brief overview of the transaction.



Notes  
 1. 100% owned by London & Regional Group Finance Ltd  
 2. 49,999 shares owned by London & Regional Group Finance Limited and one share owned by London & Regional Commercial Properties Holdings Limited.

- The Issuer will on-lend the proceeds of the issue of the Notes to the Borrower pursuant to a loan agreement entered into on or about the Closing Date between, *inter alios*, the Issuer, the Borrower, the Propcos, the Cash Manager, the Original Swap Counterparty and the Borrower Security Trustee (the **Issuer/Borrower Loan Agreement**).
- The Borrower will utilise the amount advanced under the Issuer/Borrower Loan Agreement to make an advance to the Propcos pursuant to the terms of an intra-group loan agreement entered into on or about the Closing Date between the Borrower, the Propcos and the Borrower Security Trustee (the **Intra-Group Loan Agreement**). The amount drawn under the Intra-Group Loan Agreement will be used by the Propcos to finance or refinance the cost of acquisition of the Properties, following which any remaining surplus funds may be on-lent

or otherwise distributed to an entity in the L&R Group in accordance with the Finance Documents.

- The Propcos will enter into a subordinated facility agreement (the **Intra-Group Subordinated Loan Agreement**) on or about the Closing Date, pursuant to which the Propcos will be able to request reciprocal advances from each other in circumstances where one Propco does not have enough money to meet its payment obligations under the Intra-Group Loan Agreement and another Propco has excess cash.
- The Borrower, the Propcos, the Cash Manager and one or more third party investors (the **B Lender**) will enter into a loan agreement (the **B Loan Agreement**) on or about the Closing Date. Under the terms of the B Loan Agreement, the B Lender will advance to the Borrower various subordinated loans which will be used by the Borrower to make advances to the Propcos under the Intra-Group Loan Agreement.
- The Borrower and each Propco will each create security over its assets in favour of The Bank of New York in its capacity as borrower security trustee (the **Borrower Security Trustee**) on trust for itself and the other Borrower Secured Creditors pursuant to a deed of charge and assignment (the **Deed of Charge**) and, in the case of Properties located in Scotland (the **Scottish Properties**), certain standard securities (the **Standard Securities**) and rental assignments (the **Scottish Rental Assignations**) granted pursuant to the Deed of Charge, to secure their obligations to the Issuer under the Finance Documents (where relevant) and to the other Borrower Secured Creditors under the relevant Borrower Transaction Documents.
- Each Share Mortgagor will create security over its respective interests in the shares in the Issuer, the Borrower and the Propcos in favour of the Borrower Security Trustee (on trust for itself and the other Borrower Secured Creditors) pursuant to a mortgage of shares (incorporating in relation to the Propcos incorporated in Scotland (the **Scottish Propcos**) a pledge of shares) (the **Mortgage of Shares** and, together with the Deed of Charge, the Standard Securities and the Scottish Rental Assignations, the **Borrower Security Documents**).
- The Propcos will direct tenants under the Occupational Leases to pay all net rental income into the Rent Account which has been opened in the name of the Borrower. All amounts credited to the Rent Account and necessary to meet each Propco's obligation to pay interest and principal (if any) respectively due to the Borrower under the Intra-Group Loan Agreement will be used for this purpose and will be transferred to the Borrower Transaction Account accordingly. Amounts credited to the Borrower Transaction Account and necessary to meet the Borrower's obligation to pay interest and principal (if any) due to the Issuer under the Issuer/Borrower Loan Agreement will be used for this purpose while any surplus funds in the Borrower Transaction Account (after payment of the B Loan) may be transferred to the General Account (which will not be subject to a fixed charge), (see "*Summary of Principal Documents – The Account Bank Agreement*").
- The Issuer will, on or about the Closing Date, enter into a liquidity facility agreement (the **Liquidity Facility Agreement**) with Lloyds TSB Bank plc (the **Liquidity Facility Provider**) pursuant to which the Liquidity Facility Provider will, *inter alia*, make up any interest shortfall under the Notes, up to a maximum of £16,250,000 (the **Liquidity Facility**). The Liquidity Facility will be subject to a decreasing balance mechanism (see "*Summary of Principal Documents – The Liquidity Facility Agreement*").

- The Issuer's obligations to pay principal and interest on the Notes will be met primarily from the payments of principal and interest received from the Borrower under the Issuer/Borrower Loan Agreement.
- The Issuer will assign its interest in the security created under and pursuant to the Borrower Security Documents and create fixed and floating security over certain other assets of the Issuer in favour of the Note Trustee (on trust for itself, the Noteholders and the other Issuer Secured Creditors) under a deed of charge and assignment (the **Issuer Deed of Charge**), as security for the obligations of the Issuer under, *inter alia*, the Notes.
- For details of the Issuer/Borrower Loan Agreement, the B Loan Agreement, the Deed of Charge, the Intra-Group Loan Agreement, the Mortgage of Shares, the Intra-Group Subordinated Loan Agreement, the Liquidity Facility Agreement and the Issuer Deed of Charge, see "*Summary of Principal Documents*" below.

*The structure diagram and the notes thereto provide only a brief overview of the transaction more fully described in this Offering Circular. The structure diagram and the notes thereto do not purport to be complete and should be read in conjunction with, and are qualified in their entirety by reference to, the more detailed information appearing elsewhere in this Offering Circular.*

## KEY TRANSACTION PARTIES

- Issuer:** London & Regional Debt Securitisation No.2 PLC (the **Issuer**) is a public company incorporated in England and Wales with limited liability. The Issuer's company registration number is 5835837. 49,999 shares of the issued share capital of the Issuer are held by L&R Parent and one share of which is owned by London and Regional Commercial Properties Holdings Limited.
- Optionco:** London and Regional Commercial Properties Holdings Limited, in its capacity as **Optionco**, will be granted a post-enforcement call option under the Post-Enforcement Call Option Agreement.
- Borrower:** London & Regional Portfolio Finance Limited (the **Borrower**), is a private company incorporated in England and Wales with limited liability under registered number 05835838. The entire issued share capital in the Borrower is held by L&R Parent.
- Propcos:**
1. Am-Coff Limited, a private company incorporated in England and Wales with limited liability under registered number 3355436;
  2. Bayford Properties Limited, a private company incorporated in England and Wales with limited liability under registered number 2853389;
  3. Cochrane Square SPV Limited, a private company incorporated in Scotland with limited liability under registered number SC178806;
  4. Cornice Properties Limited, a private company incorporated in England and Wales with limited liability under registered number 3355430;
  5. Haymarket SPV Limited, a private company incorporated in Scotland with limited liability under registered number SC178807;
  6. London & Regional (Bewlay House) Limited, a private company incorporated in England and Wales with limited liability under registered number 4524352;
  7. London & Regional (Empire) Limited, a private company incorporated in England and Wales with limited liability under registered number 4524346;
  8. London & Regional (Green Park Hotel) Limited, a private company incorporated in England and Wales with limited liability under registered number 4524322;
  9. London & Regional (Sheffield) Limited, a private company incorporated in England and Wales with limited

liability under registered number 2958517;

10. London & Regional (Stockport) Limited, a private company incorporated in England and Wales with limited liability under registered number 3278829;
11. London & Regional (Trafalgar Square Hotel) Limited, a private company incorporated in England and Wales with limited liability under registered number 4524341;
12. LR (Cardiff) Limited, a private company incorporated in England and Wales with limited liability under registered number 1235394;
13. LR (South Eastern) Limited, a private company incorporated in England and Wales with limited liability under registered number 2904142;
14. LR (Stratford) Limited, a private company incorporated in England and Wales with limited liability under registered number 2984604;
15. LR Estates Limited, a private company incorporated in England and Wales with limited liability under registered number 1077825;
16. LR Investments Limited, a private company incorporated in England and Wales with limited liability under registered number 1064655;
17. Marshset Limited, a private company incorporated in England and Wales with limited liability under registered number 2910100;
18. Richian Limited, a private company incorporated in England and Wales with limited liability under registered number 3355362;
19. Rubtrade Limited, a private company incorporated in England and Wales with limited liability under registered number 3760578; and
20. Widerace Limited, a private company incorporated in England and Wales with limited liability under registered number 2889688,

(each a **Propco**, and together, the **Propcos**).

The Propcos will own the Properties and will grant security in favour of the Borrower Security Trustee pursuant to the Deed of Charge, the Standard Securities and the Scottish Rental Assignations as security for their obligations under the Finance Documents.

If required the Propcos will also make subordinated advances to each other pursuant to the Intra-Group Subordinated Loan Agreement.

**L&R Parent:**

London and Regional Group Finance Limited (the **L&R Parent**) is a private company incorporated in England and Wales with limited liability. L&R Parent's company registration number is 04312421. L&R Parent owns all the shares in the Borrower and 49,999 of the shares in the Issuer and it is wholly owned by London & Regional Group Holdings Limited.

**Share Mortgagors:**

London & Regional Investment Holdings Limited is a private company incorporated in England and Wales with limited liability under registration number (4525492), London & Regional Investments Limited as a private company incorporated in England and Wales with limited liability under registration number (3001272), LR Estates Limited as a private company incorporated in England and Wales with limited liability under registration number (1077825), London & Regional Hotel Holdings Limited is a private company incorporated in England and Wales with limited liability under registration number (4469933), London & Regional PFI Projects Holdings Limited is a private company incorporated in England and Wales with limited liability under registration number 04525593 and London and Regional Commercial Properties Holdings Limited, is a private company incorporated in England and Wales with limited liability under registration number 04312463 (and holds one share in the Issuer). Together with the L&R Parent, they are referred to as the **Share Mortgagors**.

The Share Mortgagors will grant security in favour of the Borrower Security Trustee pursuant to the Mortgages of Shares over their shares in the Issuer, Borrower and the Propcos, as applicable.

**Note Trustee:**

The Bank of New York, acting through its offices at 48th Floor, One Canada Square, London E14 5AL, will act under the Trust Deed as trustee for the holders of the Notes and under the Issuer Deed of Charge as trustee for the Noteholders and the other Issuer Secured Creditors (in this capacity, the **Note Trustee**).

**Borrower Security Trustee:**

The Bank of New York, acting through its offices at 48th Floor, One Canada Square, London E14 5AL, will act under the Borrower Security Documents as trustee for the Issuer and the other Borrower Secured Creditors (in this capacity, the **Borrower Security Trustee**).

**Principal Paying Agent and Agent Bank:**

The Bank of New York, acting through its offices at 48th Floor, One Canada Square, London E14 5AL, will be principal paying agent and agent bank under the Agency Agreement (in these capacities, the **Principal Paying Agent** and the **Agent Bank**).

<b>Irish Paying Agent:</b>	AIB/BNY Fund Management (Ireland) Limited, acting through its offices at Guild House, P.O. Box 4935, Guild Street, IFSC, Dublin 1, Ireland will act as paying agent in Ireland under the Agency Agreement (the <b>Irish Paying Agent</b> ). The Irish Paying Agent, the Principal Paying Agent and any other paying agent(s) which may be appointed pursuant to the Agency Agreement are together referred to as the <b>Paying Agents</b> .
<b>Cash Manager:</b>	The Bank of New York, acting through its offices at 48th Floor, One Canada Square, London E14 5AL will act as cash manager to the Issuer, the Borrower and the Propcos under the Cash Management Agreement (in this capacity, the <b>Cash Manager</b> ).
<b>Account Bank:</b>	The Bank of New York, acting through its offices at 48th Floor, One Canada Square, London E14 5AL, will act as account bank for the Issuer, the Borrower and the Propcos under the Account Bank Agreement (in this capacity the <b>Account Bank</b> ).
<b>Rent Account Bank:</b>	Barclays Bank PLC, acting through its offices at 1 Churchill Place, London E14 5HP, will act as the account bank for the Borrower and the Propcos in respect of the Rent Account under the Rent Account Agreement (in this capacity, the <b>Rent Account Bank</b> ).
<b>Liquidity Facility Provider:</b>	Lloyds TSB Bank plc, acting through its office at Faryner's House, 25 Monument Street, London EC3R 8BQ, will provide the Liquidity Facility to the Issuer under the Liquidity Facility Agreement (in this capacity, the <b>Liquidity Facility Provider</b> ).
<b>Swap Counterparty:</b>	Morgan Stanley & Co. International Limited, (in this capacity, the <b>Swap Counterparty</b> ) whose principal office is located at 25 Cabot Square, Canary Wharf, London E14 4QW, has entered into an interest rate swap agreement with the Borrower. In this document, the term <b>Swap Counterparty</b> includes any other party appointed from time to time pursuant to the Issuer/Borrower Loan Agreement to act as a counterparty under the hedging arrangements in respect of the Issuer/Borrower Loans and the B Loan.
<b>Swap Guarantor:</b>	Morgan Stanley, whose principal office is located at 1585 Broadway, New York, New York 10036, USA (the <b>Swap Guarantor</b> ) will, pursuant to and subject to the terms of a guarantee in favour of the Borrower (the <b>Swap Guarantee</b> ), guarantee all of the Swap Counterparty's obligations under the Swap Agreement and the Swap Transactions. The Swap Guarantee will be governed by New York law.
<b>Property Manager:</b>	London & Regional Properties Limited, acting through its office at 105 Wigmore Street, London, W1U 1QY, will provide property management services to the Propcos under the Property Management Agreement (in this capacity, the <b>Property Manager</b> ).

## KEY CHARACTERISTICS OF THE ISSUER/BORROWER LOAN AGREEMENT

<b>General:</b>	Each Issuer/Borrower Loan will constitute a full recourse obligation of the Borrower. The Deed of Charge (together with, in the case of the Scottish Properties, the Standard Securities and Scottish Rental Assignations) is expressed to create a first legal mortgage or (as applicable) standard security over the Properties and first security over the Borrower's and the Propcos' interests in any occupational leases, insurance policies, bank accounts (other than the General Account) and rental cashflows in respect of the Properties and floating charges over all the remaining assets of the Borrower and each Propco (and all of their Scottish assets). The Mortgage of Shares is expressed to create a first legal mortgage or (as applicable) fixed security over all the shares in the Issuer, the Borrower and each Propco incorporated in England and Wales. The shares in each Propco incorporated in Scotland are pledged and assigned in terms of the Mortgage of Shares.
<b>Guarantee:</b>	Each Propco is a <b>Guarantor</b> and the obligations of the Borrower under the Finance Documents have been guaranteed on a joint and several basis by each Guarantor.
<b>Purpose of the Issuer/Borrower Loans:</b>	The proceeds of the Issuer/Borrower Loans will be applied to make advances to the Propcos pursuant to the terms of the Intra-Group Loan Agreement.
<b>Interest rate:</b>	<p>The rate of interest on each Issuer/Borrower Loan under the Issuer/Borrower Loan Agreement for each Interest Period is the percentage rate per annum equal to the aggregate of the applicable:</p> <ul style="list-style-type: none"><li>(a) Margin (being 0.21 per cent. in respect of the A1 Facility, 0.30 per cent. in respect of the A2 Facility and 0.50 per cent. in respect of the A3 Facility; and</li><li>(b) LIBOR (as defined in the Issuer/Borrower Loan Agreement).</li></ul>
<b>Interest payments:</b>	Interest under the Issuer/Borrower Loans will be paid quarterly in arrear on 15 January, 15 April, 15 July and 15 October in each year (each, an <b>Interest Payment Date</b> ) in respect of successive interest periods (each, an <b>Interest Period</b> ). If any such day is not a Business Day, the Interest Payment Date will instead be the next succeeding Business Day, unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day.
<b>Repayment of the Issuer/Borrower Loans:</b>	Unless the Borrower has previously repaid its loans under the Issuer/Borrower Loan Agreement, it will be required to repay them in full on the Interest Payment Date falling in October 2013 under the Issuer/Borrower Loan Agreement (the <b>Loan Maturity Date</b> ).



**Mandatory prepayment:** Any principal prepaid by a Propco under the Intra-Group Loan Agreement will be applied by the Borrower in or towards prepayment of the Issuer/Borrower Loans and the B Loan in accordance with the terms of the Issuer/Borrower Loan Agreement, the B Loan Agreement and the Intercreditor Agreement. Subject to certain exceptions, the Borrower is also required to prepay the Issuer/Borrower Loans and the B Loan with the proceeds of any disposal of a Property or insurances in accordance with the terms of the Issuer/Borrower Loan Agreement, the B Loan Agreement and the Intercreditor Agreement. Please see the headings "*Substitution, disposal and alterations of Properties*" and "*Summary of Principal Documents - Issuer/Borrower Loan Agreement - Insurance*" below for further detail regarding the circumstances in which the Issuer/Borrower Loans and B Loan will be prepaid.

If the Issuer elects or is required to redeem any Notes under the Conditions of the Notes, the Borrower must prepay or repay the Issuer/Borrower Loans in an amount and on a date notified to it by the Issuer.

**Optional Prepayment:** The Borrower may voluntarily prepay the Issuer/Borrower Loans in whole or part on any Interest Payment Date provided that it gives not less than ten Business Days' prior written notice to the Issuer. Unless the prepayment is made to cure a breach of the Interest Cover covenant pursuant to the Issuer/Borrower Loan Agreement, a voluntary prepayment must be in a minimum amount of £10,000,000 and in integral multiples of £250,000.

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

- (a) due incorporation and authorisation;
- (b) no Loan Event of Default under the Issuer/Borrower Loan Agreement is outstanding;
- (c) legality, validity and enforceability of each Transaction Document to which it is a party;
- (d) ownership and title to the relevant Property, in each case free from any security interests other than as contemplated under the Borrower Security Documents;
- (e) first priority or ranking of the security conferred by the Borrower Security Documents, provided that a charge over book debts or cash balances which is expressed as a fixed charge may take effect as a floating charge;

- (f) the absence of material litigation, arbitration or administrative proceedings;
- (g) the truthfulness and accuracy of all written information supplied by the Borrower to the Issuer or the Borrower Security Trustee in connection with, *inter alia*, the Issuer/Borrower Loan Agreement, the Intercreditor Agreement, the B Loan Agreement, each Borrower Security Document, the Tax Deed of Covenant, the Swap Transactions and related finance documents (together, the **Finance Documents**), all written information supplied by the Borrower and each Propco to the Valuers for the purposes of the relevant Valuation and all information provided to the lawyers preparing the Reports on Title;
- (h) (only on the Closing Date) all payments to be made by an Obligor under any Transaction Document to be free of any deduction or withholding in respect of tax;
- (i) no material adverse change in its financial condition since the delivery of its most recent financial statement;
- (j) ownership of each Obligor; and
- (k) no other business carried on by each Obligor.

**Loan Security:**

The obligations of the Obligors under the Issuer/Borrower Loan Agreement (and the other Finance Documents) will be secured in favour of the Borrower Security Trustee for the benefit of the Borrower Secured Creditors by fixed and floating security created under the Borrower Security Documents.

**Insurance:**

The Obligors will be required to procure that insurance is maintained in respect of the Properties for (subject to it being available on commercially reasonable terms in the United Kingdom or in the European market) their full replacement value, against, amongst other things, acts of terrorism and three year loss of rent on terms acceptable to the Issuer and the Borrower Security Trustee, acting reasonably.

**KEY CHARACTERISTICS OF THE PROPERTIES**

**Properties:**

The Intra-Group Loans will be secured on the land and buildings of:

- (a) Emperor House, 8, 9 and 10 Crosswall, London EC3 (**Emperor House**);
- (b) America House, 2 America Square, London EC3N 2LU (**America House**);
- (c) Elgin House, Haymarket Yards, Edinburgh (**Elgin House**);

- (d) Cotton House, Cochrane Square, Glasgow (**Cotton House**);
- (e) Bewlay House, 32/32a Jamestown Rd, London NW1 7BY (**Bewlay House**);
- (f) Epworth House, 25-35 (odd) City Road, London EC1Y 1AA (**Epworth House**);
- (g) Archer House, John Street, Stockport (**Archer House**);
- (h) Derwent House, 150 Arundel Gate, Sheffield (**Derwent House**);
- (i) Southfields Business Park, Sylvan Way, Basildon (**Southfields Business Park**);
- (j) Peer House, 8-14 Verulam Street, London WC1 (**Peer House Office**);
- (k) Conway House, St. Mellons Business Park, Cardiff (**Conway House**);
- (l) 2 Tavistock Place, Holborn, London WC1X 8RH (**Tavistock Place Office**);
- (m) 25-34 Cockspur Street and 6-8 (even) Spring Gardens, London (**Trafalgar Square Hotel**),
- (n) 27-41 Half Moon Street, together with 14 Shepherd Market, London (**Green Park Hotel**);
- (o) Equinox Nightclub and Empire Cinema, 5-6 Leicester Square, London WC1 (**Leicester Square Casino**);
- (p) 125-133 The Parade, Watford (**Watford Mixed Use**);
- (q) Creation Nightclub, 55 Cookridge Street, land on the north-west side of Cookridge Street and the south-east side of Portland Crescent, Leeds (**Creation Nightclub**);
- (r) Valentino's Nightclub, Etruria Road, Hanley, Stoke on Trent (**Stoke-on-Trent Nightclub**);
- (s) Paradox Nightclub, 7a Middle Street and 78 West Street, Brighton BN1 1AL (**Brighton Nightclub**);
- (t) Disco Royale, 233 High Street, Uxbridge (**Disco Royale**);
- (u) Isis Nightclub, Redfield Street, Lenton Business Park, Nottingham (**Isis Nightclub**);
- (v) 211-219 (odd) Camden High Street, The Plaza, 4-12 (even) Parkway, together with land and building at the

back of 8 and 10 Parkway and 1-5 (odd) Inverness Street,  
London NW1 (**Camden High Street**);

- (w) Town Square Shopping Centre, Stratford-upon-Avon  
(**Stratford-upon-Avon Town Square**);
- (x) The Ebbisham Centre, Waterloo Road, Epsom (**The  
Ebbisham Centre**);
- (y) 73-74 High Street, Hampstead, London NW3  
(**Hampstead High Street**);
- (z) Land on the north-west side of Telford Road, Southgate  
(**Alexander Place**); and
- (aa) 98 Northbrook Street, Newbury (**Newbury Optika**);

(together, the **Properties**).

For more detailed information regarding the Properties, see "*The Properties*", below, and the tenant database in Appendix C.

The information relating to the Properties contained in this Offering Circular (other than information contained in the Valuation Reports and the section "*Valuation Reports*" below) is correct as at 7 July 2006, and is subject to change between that date and the Closing Date.

## PRINCIPAL FEATURES OF THE NOTES

### Notes:

The Notes will comprise:

- (a) £190,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2015;
- (b) £16,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2015; and
- (c) £50,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2015.

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

### Status and priority:

After service of a Note Acceleration Notice and pursuant to the provisions of **Condition 3**, the Trust Deed, the Issuer Deed of Charge and the Cash Management Agreement, the Class A Notes will rank in priority to the Class B Notes and the Class C Notes in point of security and as to the payment of principal and interest, the Class B Notes will be subordinated to the Class A Notes in point of security and as to the payment of principal and interest but will rank in priority to the Class C Notes in point of security and as to the payment of principal and interest and the Class C Notes will be subordinated to the Class A Notes and the Class B Notes in point of security and as to the payment of principal and interest.

See "Summary of Principal Documents – The Cash Management Agreement" below.

### Form of the Notes:

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

For so long as the Notes are represented by Global Notes and the rules of Euroclear and Clearstream so permit, the Notes will be tradeable in minimum nominal amounts of £50,000 and integral multiples of £1,000 in excess thereof. However, there will be certain restrictions in respect of holdings above a multiple of £50,000 in nominal amount. See further **Condition 2.2**.

### Ratings:

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

Class	Fitch	Moody's
Class A Notes	AAA	Aaa

Class B Notes	AAA	Aa2
Class C Notes	AA-	A2

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

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

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

**Redemption in whole for taxation and other reasons:** In accordance with **Condition 7.2(b)** and only after reasonable endeavours have been made to mitigate in accordance with **Condition 7.2(a)**, if the Issuer satisfies the Note Trustee either that (i) the Issuer would, on the occasion of the next Interest Payment Date, become subject to tax on its income in more than one jurisdiction or be required to make any withholding or deduction from any payment of principal or interest in respect of any of the Notes, or the Issuer would suffer any withholding or deduction from any payment in respect of the Issuer/Borrower Loans in each case for or on account of any present or future Tax of whatsoever nature incurred or levied by or on behalf of the United Kingdom or any Tax Authority thereof or therein or (ii) by reason of a change of law, which change becomes effective on or after the Closing Date, it has or will become unlawful for the Issuer to make, lend or allow to remain outstanding all or any advances made or to be made by it under the Issuer/Borrower Loan Agreement, then the Issuer shall (in accordance with **Condition 7.2(a)**), upon giving not more than 60 and not less than 10 days' notice (or in the case of paragraph (ii) above, such shorter notice period expiring on or before the latest date permitted by the relevant law) to the Noteholders and provided that it has satisfied the Note Trustee that it has sufficient funds available to it, redeem all, but not some only, of the Notes at their then Principal Amount Outstanding together with accrued interest thereon.

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

**Mandatory redemption in whole or in part:** Subject to **Condition 7.3** and prior to service of a Note Acceleration Notice, if the Issuer receives a notice from the Borrower pursuant to the Issuer/Borrower Loan Agreement that the Borrower will prepay all or part of the Issuer/Borrower Loans on or before the next Interest Payment Date or the Issuer/Borrower Loans are declared due and payable on or before the next Interest Payment Date, the Issuer will, in accordance with **Condition 7.3**,

upon giving not more than 60 and not less than 10 Business Days' notice to the Noteholders, redeem the relevant Class or Classes of Notes pro rata in an aggregate amount equal to the principal amount of the Issuer/Borrower Loans being prepaid or repaid on the next Interest Payment Date.

Upon service of a Note Acceleration Notice, pursuant to **Condition 11**, the Note Trustee or its appointee is required to apply all amounts (if any) received in respect of the Issuer/Borrower Loans in accordance with the Post-Acceleration Priority of Payments pursuant to the Issuer Deed of Charge.

**Optional redemption:**

The Issuer has the option to redeem all or part of the Notes or all or any part of any Class of the Notes on any Interest Payment Date in accordance with **Condition 7.4** upon giving not more than 60 nor less than 10 Business Days' notice to the Noteholders and provided that it has satisfied the Note Trustee that it has or will have sufficient funds available to it. If the Issuer exercises its option to redeem any Class or Classes of Notes, it shall apply the principal redemption amount to redeem the relevant Class or Classes of Notes at their respective Principal Amount Outstanding together with accrued interest.

**Post-Enforcement Call Option:**

The Note Trustee will, on or before the Closing Date, grant to Optionco an option to require the transfer to Optionco, for a nominal amount only, of all (but not some only) of the Notes of each Class together with accrued interest thereon, in the event that the Issuer Security is enforced and if after payment of all other claims ranking in priority to the Notes (in accordance with the applicable priority of payments), the remaining proceeds of such enforcement are insufficient to pay in full the principal, interest and other amounts due in respect of the Notes of each Class and all other claims ranking *pari passu* therewith or in priority thereto (in accordance with the applicable priority of payments). All Noteholders will be bound by the terms of the Trust Deed and the Conditions in respect of the post-enforcement call option and the Note Trustee will be irrevocably authorised to enter into the post-enforcement call option agreement as agent for the Noteholders.

**No purchase of Notes by the Issuer:**

The Issuer will not be permitted to purchase Notes.

**Further Notes, New Notes and Replacement Notes:**

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

- (a) notes which are consolidated, and form a single series with, an existing Class of Notes (including any New Notes or Replacement Notes then in issue) (**Further Notes**);
- (b) notes which rank *pari passu* with the Class A Notes, or behind the Class A Notes and ahead of the Class B Notes and the Class C Notes, or *pari passu* with the Class B Notes, or behind the Class B Notes and ahead of the Class C Notes or *pari passu* with the Class C Notes, or behind

the Class C Notes (**New Notes**); and

- (c) notes of any Class to replace an existing Class of Notes, but with a lower interest rate (or, if fixed rate Notes are to be issued in replacement for floating rate Notes or vice versa, a swap rate which (taking into account the relevant margin) is lower than the existing Class of Notes being replaced) (**Replacement Notes**).

Pursuant to the Pre-Enforcement Priority of Payments, the Post-Enforcement/Pre-Acceleration Priority of Payments and the Post-Acceleration Priority of Payments (as applicable), interest on junior Classes of Notes will be payable prior to any optional principal prepayment. Any issue of Further Notes, New Notes or Replacement Notes will be subject to the satisfaction of certain conditions precedent. These will include a condition that the Note Trustee is satisfied that the then current ratings of each Class of Notes already in issue will not be adversely affected.

**Interest rates:**

Each Class of Notes will initially bear interest calculated as the sum of LIBOR (as determined in accordance with **Condition 5.4**) plus the relevant Margin. The interest rate margin applicable to each Class of Notes will be as follows (each, a **Margin**):

<b>Class</b>	<b>Margin</b> (per cent.)
Class A Notes	0.21
Class B Notes	0.30
Class C Notes	0.50

**Interest payments:**

Interest will be payable on the Notes quarterly in arrear on 15 January, 15 April, 15 July and 15 October in each year, unless the same is not a Business Day, in which case the Interest Payment Date will instead be the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day (each, an **Interest Payment Date**). **Business Day** means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business and settle payments in London.

**Interest Periods:**

The first Interest Period will run from (and including) the Closing Date to (but excluding) the first Interest Payment Date and subsequent Interest Periods will run from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date. The Noteholders will be entitled to receive a payment of interest only in so far as payment is in accordance with the priorities of payments (as described in "*Summary of Principal Documents – Cash Management Agreement*" below). Any interest not paid on the Notes (other than interest due on the Most Senior Class of Notes then outstanding) when due (prior to the Final Maturity Date or on such earlier date as the Notes become



immediately due and repayable under **Condition 11**) will accrue interest and will be paid only to the extent that there are funds available on a subsequent Interest Payment Date in accordance with the priorities of payments (as described in "*Summary of Principal Documents – The Cash Management Agreement*" below).

Non-payment of interest, pursuant to a deferral in accordance with **Condition 5.8**, will not constitute a Note Event of Default.

**Issue prices:**

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

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

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

**Withholding tax:**

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

**Security for the Notes:**

The Notes will be secured pursuant to a deed of charge and assignment made between the Issuer, the Note Trustee and the Other Issuer Secured Creditors and dated on or before the Closing Date (the **Issuer Deed of Charge**).

The Note Trustee will hold the security granted under the Issuer Deed of Charge on trust for itself, any Receiver and any other Appointee of the Note Trustee, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Cash Manager and the Account Bank (together, the **Other Issuer Secured Creditors**) and the Noteholders and the Couponholders (together with the Other Issuer Secured Creditors, the **Issuer Secured Creditors**).

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

- (a) an assignment by way of first fixed security of the Issuer's right, title, interest and benefit, present and future, in, to and under the Issuer Transaction Documents (other than the Trust Deed and the Issuer Deed of Charge) and the Borrower Security Documents;
- (b) a first charge of its right, title, interest and benefit, present and future, in and to all amounts in the Issuer Accounts;
- (c) a first fixed charge over its interest in any Eligible ~~Investments permitted to be made by it pursuant to the~~

Cash Management Agreement (and any other investment made by it or on its behalf); and

- (d) a first ranking floating charge over the whole of its undertaking and of its property and assets not already subject to fixed security (but including all of its undertaking, property and assets situated in or governed by the law of Scotland).

The security interests referred to in **paragraphs (a) to (c)** above may take effect as floating security and thus rank behind claims of certain preferential and other creditors.

**Transfer restrictions:**

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

**Governing law:**

The Notes and the other Transaction Documents will be governed by English law except for those Transaction Documents and provisions of Transaction Documents which are expressed to be governed by Scots law.

## **RISK FACTORS**

*The following is a summary of certain aspects of the Notes about which prospective Noteholders should be aware. This summary 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.*

### **Liability under the Notes**

The Notes will be obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any other person or entity. In particular, the Notes will not be obligations or responsibilities of and will not be guaranteed by, the Note Trustee, the Borrower Security Trustee, the Paying Agents, the Lead Manager, the Cash Manager, the Liquidity Facility Provider, Optionco, the Swap Guarantor, the Swap Counterparty, the Agent Bank, the Rent Account Bank, the Account Bank, the Borrower, the Propcos or any other members of the L&R Group. Furthermore, no person other than the Issuer will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

### **The Issuer's ability to meet its obligations under the Notes**

#### ***Limited Resources***

The Notes will be full recourse obligations of the Issuer. However, the assets of the Issuer will themselves be limited. The ability of the Issuer to meet its obligations under the Notes will be dependent on the receipt by it of funds from the Borrower under the Issuer/Borrower Loan Agreement (which, in turn, is dependent on the receipt by the Borrower of funds from the Propcos under the Intra-Group Loan Agreement), the receipt of interest in respect of amounts credited to the Issuer Transaction Account and drawings under the Liquidity Facility Agreement. Other than the foregoing, prior to the enforcement of the security created pursuant to the Deed of Charge, the Issuer will not have any other funds available to it to meet its obligations under the Notes and in respect of any payment ranking in priority to, or *pari passu* with, the Notes.

In the event that the Issuer Security is enforced and the proceeds of such enforcement are insufficient, after payment of all other claims ranking in priority to amounts due under the Notes of each Class under the Issuer Deed of Charge, to pay in full all principal and interest and other amounts whatsoever due in respect of the Notes, then the assets of the Issuer may be insufficient to meet claims in respect of any such unpaid amounts. Prior to the final maturity of the Notes, enforcement of the Issuer Security is the only remedy available for the purpose of recovering amounts owed in respect of the Notes.

#### ***Ranking of the Notes***

The obligations of the Issuer in respect of the Class A Notes will rank equally amongst themselves in point of security and in priority to the obligations of the Issuer in respect of the Class B Notes and the Class C Notes. The obligations of the Issuer in respect of the Class B Notes will rank equally amongst themselves in point of security and in priority to the obligations of the Issuer in respect of the Class C Notes but behind the obligations of the Issuer in respect of the Class A Notes. The obligations of the Issuer in respect of the Class C Notes will rank equally amongst themselves in point of security but behind the obligations of the Issuer in respect of the Class A Notes and the Class B Notes.

If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of interest due on any Class or Classes of Notes (other than the Most Senior Class of Notes), the Issuer will be

entitled (under **Condition 5.8**) to defer payment of such amount or amounts (as the case may be) until the following Interest Payment Date. In these circumstances there will be no Note Event of Default.

As the Class B Notes and the Class C Notes provide credit support for the Class A Notes, such Classes of Notes are inherently more risky investments than the Class A Notes. There is no assurance that the subordination arrangements will protect any Class of Noteholders from all risk of loss.

#### ***Conflicts of Interest between the Classes of Notes***

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

#### ***Absence of Secondary Market; Limited Liquidity***

There can be no assurance that a secondary market in the Notes will continue, or if it does, that it will provide Noteholders with liquidity of investment, or that it will continue for the life of the Notes. Application has been made to the Stock Exchange to list 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 the Notes by Noteholders in any secondary market which may develop may be at a discount to the original purchase price of such Notes.

#### ***Ratings of Notes***

The ratings assigned to the Notes by the Rating Agencies are based primarily on the value of the Properties, but take into account other relevant structural features of the transaction, including, *inter alia*, the Liquidity Facility and the short-term unsecured and unsubordinated debt rating of the Liquidity Facility Provider and reflect only the views of the Rating Agencies. The ratings assigned by Fitch address the likelihood of full and timely payment to the Noteholders of all payments of interest on each Interest Payment Date and repayment of principal no later than the Final Maturity Date. The ratings assigned by Moody's address the expected loss posed to any Noteholder by the Final Maturity Date. In Moody's opinion, the structure allows for timely payment of interest and ultimate repayment of principal at par on or before the Final Maturity Date. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the Rating Agencies' judgement, circumstances so warrant. Rating agencies other than the Rating Agencies could seek to rate the Notes and if such "unsolicited ratings" are lower than the comparable rating assigned to the Notes by the Rating Agencies, such shadow ratings could have an adverse effect on the value of the Notes. For the avoidance of doubt and unless the context otherwise requires, any references to **ratings** or **rating** in this Offering Circular are to ratings assigned by the Rating Agencies only. Future events, including events affecting the L&R Group and/or the Liquidity Facility Provider and/or circumstances relating to the Properties and/or the property market generally, could have an adverse impact on the ratings of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency. In addition it should be noted that the Issuer is only obliged to maintain ratings of the Notes from any two rating agencies.

Any written statement, from a Rating Agency, of the ratings then assigned by that Rating Agency to the Notes and/or any satisfaction of a Rating Agency's own ratings tests:

- (a) only addresses the effect of any relevant event, matter or circumstance on the current ratings assigned by the relevant Rating Agency to the Notes;
- (b) does not address whether any relevant event, matter or circumstance is permitted by the Transaction Documents; and
- (c) does not address whether any relevant event, matter or circumstance is in the best interests of, or prejudicial to, some or all of the Noteholders.

Furthermore, there can be no assurance that the Rating Agencies will take the same view as each other, which may affect the L&R Group's ability to adapt the structure of the transaction to changes in the market over the long term.

### ***Ratings confirmations***

Under the Transaction Documents, the Note Trustee may determine whether or not any event, matter or thing is, in its opinion, materially prejudicial to the interests of any Class of Noteholders, or, as the case may be, all the Noteholders, and if the Note Trustee shall certify that any such event, matter or thing is, in its opinion, materially prejudicial, such certificate shall be conclusive and binding upon the Issuer and the Noteholders. In making such a determination, the Note Trustee shall be entitled to take into account, among other things, any confirmation by the Rating Agencies (if available) that the then current rating of the Notes of the relevant Class would or, as the case may be, would not, be adversely affected by such event, matter or thing.

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

### ***Denominations and trading***

The Notes of each Class will be issued in the denomination of £50,000. However, for so long as the Notes of any relevant Class are represented by a Global Note, and the rules of Euroclear and Clearstream, Luxembourg so permit, the Notes will be tradeable in minimum nominal amounts of £50,000 and integral multiples of £1,000 in excess thereof. However, if Definitive Notes for that Class of Notes are required to be issued and printed, any Noteholder holding Notes having a nominal amount which cannot be represented by a Definitive Note in the denomination of £50,000 will not be entitled to receive a Definitive Note in respect of such Notes and will not therefore be able to receive principal or interest in respect of such Notes.

Furthermore, at any meeting of Noteholders of any Class while the Notes of that Class are represented by a Global Note, any vote cast will be valid only if it is in respect of £50,000 in nominal amount. The quorum requirements for meetings of Noteholders will also disregard any holdings to the extent that they cannot be represented by a holding of £50,000.

### ***Post-Enforcement Call Option***

The Note Trustee will, on or before the Closing Date, grant to Optionco an option to require the transfer to Optionco, for a nominal amount only, of all (but not some only) of the Notes together with accrued interest thereon, in the event that the Issuer Security is enforced and if after payment of all other claims ranking in priority to the Notes (in accordance with the applicable priority of payments), the remaining proceeds of such enforcement are insufficient to pay in full the principal, interest and other amounts due in respect of the Notes and all other claims ranking *pari passu* therewith or in priority thereto and following distribution of such remaining proceeds in accordance with the Post-Enforcement Priority of Payments. The Noteholders will be bound by the terms of the Trust Deed and the Conditions in respect of the post-enforcement call option and the Note Trustee will be irrevocably authorised to enter into the post-enforcement call option agreement as agent for the Noteholders.

### ***Refinancing Risk at Final Maturity of the Notes***

The ability of the Issuer to redeem the Notes on the Interest Payment Date falling in October 2015 will be dependent on the ability of the Borrower to repay the Issuer/Borrower Loans under the Issuer/Borrower Loan Agreement. In order to make such a repayment under the Issuer/Borrower Loan Agreement, the Borrower will be required to refinance the Issuer/Borrower Loan Agreement by, for example, having the Propcos sell the Properties to a third party or raising new finance in an amount at least equal to the amount outstanding under the Issuer/Borrower Loan Agreement. No assurance can be given that market conditions will be such that the Obligors will be able to sell the Properties or refinance the Issuer/Borrower Loans in full and on time in order to enable it to meet its obligations to repay the Issuer/Borrower Loans and hence to enable the Issuer to meet its obligations under the Notes on the Interest Payment Date falling in October 2015.

### ***Availability of Liquidity Facility***

Pursuant to the terms of the Liquidity Facility Agreement, the Issuer will be entitled to make drawings under the Liquidity Facility Agreement from time to time to cover shortfalls in the amounts available to the Issuer to make payments of, among other things: (a) amounts due and payable to the Issuer Secured Creditors which rank senior to payments of interest on the Notes; and (b) interest on the Notes. The Issuer is not entitled to make drawings under the Liquidity Facility Agreement to cover repayment of principal on the Notes.

See "*Summary of Principal Documents – The Liquidity Facility Agreement*".

### ***Swap Counterparty Risks***

If the Swap Counterparty fails to provide the Borrower with amounts equal to the full amount of interest due on the relevant tranche of the Issuer/Borrower Loan or the B Loan on any Interest Payment Date or if the Swap Agreement is otherwise terminated, then the Borrower may have insufficient funds to make payments due on that Issuer/Borrower Loan or the B Loan. The Swap Counterparty is required to meet certain requirements (such as providing collateral in support of its obligations or obtaining a guarantee) if the Swap Guarantor is downgraded below the levels specified in the Swap Agreement. In the event that the Swap Counterparty is unable to fulfil such requirements within the required time period following such a downgrade of the Swap Guarantor, the Borrower has the right to terminate the Swap Agreement and this may result in the Borrower being required to pay a swap termination payment to the Swap Counterparty thus reducing the funds available to the Borrower for making payments it is obliged to make pursuant to the Issuer/Borrower Loan Agreement and/or the B Loan Agreement. In addition, following such a termination of the Swap Agreement, until such time as the Borrower puts in place a replacement swap agreement, the Borrower will be exposed to interest rate risk which may result in the Borrower having insufficient funds to make the

payments it is obliged to make pursuant to the Issuer/Borrower Loan Agreement and/or the B Loan Agreement.

The Swap Counterparty may terminate the Issuer/Borrower Loan Swap Transaction(s) in certain circumstances including (i) if the Borrower fails to pay the full amount it is required to pay on any payment date pursuant to an Issuer/Borrower Loan Swap Transaction, (ii) the occurrence of an illegality or certain tax-related events pursuant to the Swap Agreement, (iii) to the extent that the aggregate notional amount of the Issuer/Borrower Loan Swap Transaction(s) (excluding interest rate caps or captions) entered into pursuant to the Swap Agreement exceeds the sum of £100,000 and the outstanding principal amount of all the loans made under the Issuer/Borrower Loan Agreement, (iv) if there is a disposal of any of the assets of the Borrower following an acceleration of any Issuer/Borrower Loan and the proceeds of such disposal are used to repay such accelerated Issuer/Borrower Loan (in such case, the Issuer/Borrower Loan Swap Transactions may only be terminated such that the notional amount applicable with respect to such transactions is reduced by an amount equal to the amount of such repayment) and/or (v) if there is a prepayment, or cancellation in part or in whole of any Issuer/Borrower Loan, as the case may be (but if such prepayment or cancellation is only in part then the relevant Issuer/Borrower Swap Transaction will only be terminated in a proportionate amount).

The Swap Counterparty may terminate the B Loan Swap Transaction(s) in certain circumstances including (i) if the Borrower fails to pay the full amount it is required to pay on any payment date pursuant to a B Loan Swap Transaction, (ii) the occurrence of an illegality or certain tax-related events pursuant to the Swap Agreement, (iii) if there is an acceleration, prepayment or cancellation in part or in whole of any B Loan, as the case may be (but if such prepayment or cancellation is only in part then the relevant B Loan Swap Transaction will only be terminated in a proportionate amount), and/or (iv) to the extent that the aggregate notional amount of the B Loan Swap Transaction(s) (excluding interest rate caps or captions) entered into pursuant to the Swap Agreement exceeds the sum of £100,000 and the outstanding principal amount of all the loans made under the B Loan Agreement.

If a Swap Transaction is terminated by the Swap Counterparty, this may result in the Borrower being required to pay a swap termination payment to the Swap Counterparty thus reducing the funds available to the Borrower for making payments it is obliged to make pursuant to the Issuer/Borrower Loan Agreement and/or the B Loan Agreement. In addition, following such a termination of the Swap Transaction, until such time as the Borrower puts in place a replacement swap agreement, the Borrower will be exposed to interest rate risk which may result in the Borrower having insufficient funds to make the payments it is obliged to make pursuant to the Issuer/Borrower Loan Agreement and/or the B Loan Agreement.

The fixed rates payable by the Borrower to the Swap Counterparty will be rates higher than the rates which the Borrower would otherwise have been able to get for similar swaps in the market. To compensate the Borrower for the off-market rates, the Swap Counterparty will make an initial payment to the Borrower under the Swap Agreement, the amount of which the Borrower will then pass to the relevant Propco through the Intra-Group Loan Agreement. On or about the Closing Date the relevant Propco will apply such amount in respect of the novation by it to another party of certain existing interest rate swap transactions or in lending the same to other Propcos for that purpose. Due to this arrangement, if the Swap Transactions are terminated early, a substantial termination payment may be payable by the Borrower to the Swap Counterparty and consequently the Borrower may have insufficient funds to make payments due on the Issuer/Borrower Loan or the B Loan.

## **Risks relating to the Properties and the Occupational Leases**

### ***Title***

Title to Green Park Hotel, Epworth House, America House, Tavistock Place Office, Camden High Street and Bewlay House has been investigated by Dundas & Wilson; title to Southfields Business Park, Peer House Office, Newbury Optika, Emperor House and Alexander Place has been investigated by Howard Kennedy; title to Conway House has been investigated by Berry Smith; title to the Ebbisham Centre and Trafalgar Square Hotel has been investigated by Denton Wilde Sapte; title to Hampstead High Street and Derwent House has been investigated by Hamblins; title to Brighton Nightclub, Creation Nightclub, Leicester Square Casino, Isis Nightclub, Stoke-on-Trent Nightclub, Disco Royale, Watford Mixed Use and Stratford upon Avon Town Square has been investigated by Taylor Wessing; title to Archer House has been investigated by Herbert Smith and title to Elgin House and Cotton House has been investigated by Maclay Murray & Spens. The Solicitors listed above (the **Solicitors**) have each produced certificates of title in respect of those Properties for which they have investigated the title (the **Certificates of Title**). The Certificates of Title address the quality of title of each Property as at the date of this Offering Circular and have been issued by the Solicitors on the basis of a review of the title documents and the usual conveyancing searches and enquiries.

The Certificates of Title reveal the following information:

### ***General***

There are a number of occupational leases where the tenant has the right to determine the lease if following damage by an insured risk there is failure to reinstate within a specified period, usually between three and four years.

There are a number of properties where the occupational leases do not provide full recovery of either insurance or repairing costs. Eight of the occupational leases provide for rents which are inclusive of outgoings such as repairs maintenance insurance and rates and nine contain service charge caps. Where lettings are on an inclusive basis the services element attributed by the company has been taken into account in calculating the net rent receivable for the purposes of the transaction as described in this Offering Circular. In respect of those properties where there are capped service charges, the estimated current shortfall in recovery of landlord's expenditure across the portfolio is less than £50,000 per annum.

### ***Specific – Properties not subject to PFI agreements***

#### ***The Ebbisham Centre***

The property is leasehold and is held by LR Estates Limited under a head-lease for a term of 125 years expiring in 2124 at a peppercorn rent. The consent of the landlord, Surrey County Council, is required to assign or to charge the property, in both cases consent not to be unreasonably withheld. The Council's consent to charge the headlease has been obtained for the purposes of this transaction.

The Property is subject to rights and restrictive covenants contained in a conveyance dated 25 March 1900 a deed dated 30 May 1914 and a deed of exchange dated 20 November 1936. Neither the originals nor copies of these documents were produced on first registration so the details of the rights and restrictive covenants are not known. Part of the Property is subject to a perpetual yearly rent charge of £5 created by a deed dated 1 October 1909 but the perpetual yearly rent charge has neither been demanded nor paid.



### *Trafalgar Square Hotel*

The property is held as a long leasehold by London & Regional (Trafalgar Square) Limited. The rent payable pursuant to this head lease is reviewed on every fifth anniversary of the commencement of the term. The rent is payable under two heads – commercial rent and hotel rent. Both are reviewed upwards only to the higher of the basic rent and the average actual rent over the period preceding the review date. The basic commercial rent is £36,750 and the basic hotel rent is £200,000 per annum. The average actual rent is calculated by reference to receivables from the commercial parts (10 per cent. of gross commercial rents receivable for the accounting year) and hotel turnover (5 per cent. of gross hotel turnover for the accounting year). The rent which is currently payable is £488,000. Any increase in the head rent due to the turnover gearing will be a percentage of the corresponding increase in the rents receivable from the occupational tenants.

It is proposed that, immediately prior to completion of the transaction, the legal owner, London & Regional (Trafalgar Square) Limited, will transfer its interest in the property to London & Regional (Trafalgar Square Hotel) Limited. The consent of the landlord is required to assign the property, consent not to be unreasonably withheld. The Crown Estate has given consent in principle to the assignment of the headlease to London & Regional (Trafalgar Square Hotel) Limited and the relevant Propco believes consent should be granted shortly.

### *America House*

The property is leasehold and is held by Widerace Limited for a term of 150 years expiring in 2138 at a peppercorn rent. The consent of the landlord is required to assign or to charge, in both cases consent not to be unreasonably withheld. Landlord's consent to charge the headlease has been obtained for the purposes of this transaction.

In relation to part of the property comprising an area of 213 sq metres under a railway arch beneath Fenchurch Street station only the land and airspace within the railway arch is included in the title and the head-lease as to this part can be terminated by the landlord if it is urgently required for repairs needed to uphold and support the structure of the viaduct and the railway tracks leading to and from Fenchurch Street Station. This part of the property is currently used for the purposes of car parking. Four of the occupational leases include the right to park cars in this area, subject to the termination right in the headlease. If the termination right is exercised, two of the occupational leases provide for a *pro rata* reduction in the rent. The landlord has various rights of access onto the property in connection with the inspection, repair and maintenance of (among other things) the adjoining railway and viaduct. These rights are not unusual in relation to leases of railway land.

### *Bewlay House*

The property is leasehold and held by Tirjara Investments Limited for a term of 999 years expiring in 2997 at a peppercorn rent. It is proposed that immediately prior to completion of the transaction the legal owner, Tirjara Investments Limited, will transfer its interest in the Property to London & Regional (Bewlay House) Limited.

### *Camden High Street*

Works are currently being carried out at the Property. These works consist of the construction of a roof over the open area to the rear of the units. The works are being carried out by Mountway Limited and it is intended that the parties will enter into a JCT minor works contract. The contract has been signed by Mountway Limited and is currently with Rubtrade Limited for signing. The value of the works is £494,765 plus VAT and Rubtrade Limited is bearing these costs. The works are due to be completed shortly. Rubtrade Limited is carrying out some works pursuant to an agreement for lease. During these works a structural problem (buckled structural beams due to incorrect installation)

was discovered. The original contractor, Kier, has accepted responsibility and is due to complete remedial works shortly.

In relation to Shop Unit SU1 let to Virgin Retail Limited, the parties agreed to vary the rent review provisions in the agreed form of lease to include an assumption that the reviewed rent would be greater than £570,000 per annum but the lease was completed (on 13 November 2001) without this variation being included; for the purposes of the Offering Circular, the rent has been assumed to be £570,000 per annum. Certifying solicitors suggest that a deed of rectification is agreed with Virgin to reflect the parties intentions at the time and state that in the event that Virgin does not agree to enter into a deed of rectification there is little doubt that a Court would make a declaration to give effect to the variation.

#### *Epworth House*

The property is leasehold and is held by Bayford Properties Limited for a term of 999 years expiring in 2901 at a fixed rent of £830 p.a. The head-lease imposes a full repairing obligation on the tenant. All alterations to the structure or roof should be approved by the landlord.

The majority of the occupational leases are fully repairing and insuring leases. However, the leases of the basement flat, storage area, part first floor, part fourth floor and fifth floor front (south) are not. There is no service charge recoverable under the lease of part of the fifth floor and there is a service charge cap in the lease of part fourth floor. There is a lease of the basement for use for residential premises. There are no repairing obligations on the part of the tenant and there is no evidence of planning consent to use the basement premises for residential purposes having been obtained. The services element attributable to the lease of the part fifth floor has been taken into account in calculating the expected net rent receivable for the purposes of the transaction as described in this Offering Circular and the estimated current shortfall in recovery of the landlord's expenditure in respect of service charge caps is approximately £20,000 per annum.

#### *Green Park Hotel*

14 Shepherd Market is leasehold and is held by London & Regional Green Park Limited for a term of 999 years expiring in 2739 at a fixed rent of £8 p.a. There is a defective title indemnity policy because the original head-lease (dated 1741) has been lost and no rent has been paid since at least 1918 and it is also possible that covenants under the lease have been breached. The limit under the policy is £500,000. The relevant Propco believes the property has been used as a hotel for many years and confirms that it has not received notice of any breach.

#### *Tavistock Place Office*

Many of the occupational leases have insurance rent and service charge caps. The estimated current shortfall in recovery of the landlord's expenditure is approximately £6,000 per annum.

#### *Derwent House*

The head-lease under which Derwent House, 150 Arundel Gate, Sheffield is held by London & Regional (Sheffield) Limited is for a term of 150 years expiring in 2151 at a peppercorn rent.

A put and call option has been granted in respect of the first to fourth floor premises in favour of Sheffield City Council. The Council has the option to take a new lease of either the whole of the premises or the second, third and fourth floors of the premises or the third and fourth floors only in the event that the other tenant exercises its break right as at 31 March 2008. The landlord has a put option on Sheffield City Council that in the event the other existing tenant does exercise the break right and the Council does not itself exercise its option to require a new lease to be granted to it, then

the landlord can require Sheffield City Council to take up a new lease of either (at the landlord's option) the first and second floors of the building, or the third and fourth floors of the building. In any of the above cases, the new lease will be in the same form, mutatis mutandis, as the existing lease at the then rent or pro rata part payable under the lease.

#### *Hampstead High Street*

The rents payable under the occupational leases of studio flats 1,2 and 3 are inclusive of outgoings such as repairs, maintenance, insurance and rates. The estimated current shortfall in recovery of the landlord's expenditure is approximately £2,000 per annum.

#### *Peer House Office*

The occupational tenant of the property also occupies the adjoining property, 60 Gray's Inn Road. The common tenant has by consent of LR Investments Limited and the owner of the adjoining property created an access on the fourth floor between the two buildings. LR Investments Limited has confirmed that there is an obligation on the occupational tenant to make good any alterations at the end of the lease. The occupational lease contains a cap on services charges. The estimated current shortfall in recovery of the landlord's expenditure is approximately £4,000 per annum.

#### *Alexander Place*

The occupational lease granted in 2004 contains a tenant only break right in the event that the authorised planning use of the property does not permit use for advertising to be displayed on the hoardings, the hoardings are obscured by further development or any other matter or matters prevent the use of the property for the use permitted by the occupational lease.

#### *Southfields Business Park*

LR Estates Limited currently owns the freehold title and LR (Cardiff) Limited owns the head leases. Historically all rents from the occupational tenants are demanded by and accounted for by LR Estates Limited. No rent passes between LR Estates Limited and LR (Cardiff) Limited. A number of the occupational leases have been granted by LR (Estates) Limited despite LR (Cardiff) Limited being the immediate landlord by virtue of the head-leases. Post-closing of the transactions contemplated by this Offering Circular, LR Estates Limited will investigate the possibility of determining the leases held by LR (Cardiff) Limited and will seek to do so provided there would be no adverse consequences.

A number of the occupational leases do not require the tenants to contribute towards the costs of insurance or repairs to the property and require the landlord to provide services and outgoings (rates etc) for which the tenant does not reimburse. The services element attributable to these leases has been taken into account in calculating the expected net rent receivable for the purposes of the transaction as described in this Offering Circular. The leases of Suite A, Suite B, and Suite D first floor, Unit 7 Sylvan Court and of ground floor Unit 5 Argent Court are not fully repairing leases to the extent that the repair covenants are limited to the condition/state of repair of the premises at the date of the leases. In a number of cases tenant rent deposits have been taken but the charges have not been registered at Companies House.

There is a side letter supplemental to the occupational lease of one unit which extends the cesser of rent provisions to damage by terrorist activity even if it is not an insured risk. The concession is personal to Jardine Transport Services UK Limited or any assignee who is a member of the same group of companies.

The property is subject to rights of way of and for the passage services in favour of adjoining properties as is usual in relation to a property which forms part of a business park. There are also

covenants and restrictions requiring areas to be maintained as garden or landscaped areas or carparking and limitations on the footprint of any new buildings that could present a limitation on future development potential. Any new buildings on the property, or any external alteration or revised layout of existing buildings, require the consent of Southfields Business Park Management Limited (as amenity manager) in which company the Company has acquired a shareholding. There is a disagreement with Southfields Business Park Management Limited as to the number of shares in the management company which are attributable to the property following the sale off of parts.

#### *Emperor House*

A major refurbishment programme has been undertaken in the last three years. There is potentially a dispute with the tenant over the cost of the tenant improvements carried out by the LR (South Eastern) Limited and the amount to which the rent payable under the occupational lease should be increased. The Borrower will deposit an amount in the Emperor House Escrow Account in respect of this disputed rent on the Closing Date – see further *Summary of Principal Documents – The Issuer/Borrower Loan Agreement – Bank Accounts* below.

#### *Stratford-upon-Avon Town Square*

The property is part freehold and part leasehold, the leasehold part being held under five 5 separate head-leases. The five headleases under which parts of the property are held by LR (Stratford) Limited as follows: Main Centre for a term of 175 years expiring in 2176 at current rent of £119,000 p.a. subject to review every 14 years to 2099 and thereafter every 10 years to a rent which is broadly 7 per cent. of the aggregate of the rents payable under the occupational leases of the property; 31 High Street (front) for a term of 150 years expiring in 2120 at a current rent of £40,500 p.a. subject to review every 7 years to open market rent; 31 High Street (rear) for a term of 150 years expiring in 2120 at a current rent of £4,500 p.a. subject to review every 21 years to open market ground rent; 8&9 Wood Street for a term of 75 years expiring in 2039 at a fixed rent of £3,712 p.a.; part 30 High Street for a term of 50 years expiring in 2032 at a peppercorn rent.

Under three of these head-leases, 31 High Street front, 31, High Street rear and 8 & 9 Wood Street the landlord has the right to forfeit for insolvency. Under two of headleases, Main Centre and part 30 High Street, the consent of the landlord to charge the property is required, consent not to be unreasonably withheld. The landlords Stratford-upon-Avon District Council and Stratford-upon-Avon Town Trust have consented to the charging of the headlease of Main Centre. The form of consent to charge the headlease of part 30 High Street has been agreed and is awaiting signature on behalf of DSG International Retail Properties Limited.

A number of the occupational leases include capped service charges. The estimated current shortfall in recovery of the landlord's expenditure is approximately £20,000 per annum. The property was redeveloped in 2002.

As noted above, the front and rear of 31 High Street are held on two head-leases. These were granted with the benefit of a right of way over a passage to the side of 31 High Street. The passageway no longer exists and is occupied by occupational tenants. No evidence of listed building and/or planning consent has been seen for any works to the movement of the boundary between the front and rear parts of the property but there is no enforcement notice on the local search in this regard.

The S.106 Agreement in connection with the planning consent for the refurbishment/development of the Property contains provisions for minimum opening hours of the car park at the property and for the parking charges to be approved by the District Council.

### *Watford Mixed Use*

Parts of the property appear to overhang the public highway and there is no evidence that an oversail licence under the Highways Act 1980 has been obtained. Additionally, the entrance to the nightclub on The Parade is supported by two columns which appear to rest on the pavement. Certifying solicitors have seen no evidence that an appropriate licence allowing the columns to rest on the pavement was obtained. The relevant Propco has no information as to the period of time during which the overhang and columns have been in existence.

### *Disco Royale*

There is no evidence of a planning consent for use of part of the ground floor and first floor of 233 High Street, Uxbridge for a dance studio/health club or that the consent of the Hillingdon Council was obtained prior to the change of use of the property from cinema to nightclub/discotheque or for any of the current uses. The relevant Propco has confirmed it has not received notice of any breach.

### *Isis Nightclub*

The undertenant, James Eftekhari, had agreed to take an assignment of the lease to First Leisure Trading Limited (In Liquidation) however, there is no evidence that this assignment has taken place. A notice under Section 6 of the Law of Distress Amendment Act 1908 was served on the undertenant on 24 June 2004 and rent has been collected directly from the undertenant since this date.

### *Destiny Nightclub*

Richian Limited have received particulars of claim from Iceland Foods Limited claiming nearly £126,000 in respect of damages caused by ingress of water which Iceland claim is attributable to Richian Limited's breach of covenant and failure to comply with its repairing obligation. Iceland are seeking an injunction requiring Richian Limited to carry out repairs. Richian Limited have confirmed the damage caused is the subject of current insurance claims.

Iceland are claiming that the basement area of its premises are unfit for occupation as a result of a leaking soil pipe from the nightclub above discharging waste into the basement and are treating the rent payable for the basement as suspended (on the basis that the damage has been caused by an insured risk) until the basement is fit for occupation.

### *Brighton Nightclub*

The property is subject to the provisions of an agreement dated 30 April 1867 between William Childs (1) and Edward Houghton Johnson (2) so far as the same are still subsisting and capable of being enforced but neither the original agreement nor a certified copy or examined extract of the agreement could be produced to HM Land Registry on first registration. There is no title insurance in place. The relevant Propco has confirmed it has not received notice of any breach of the provisions of this agreement.

### *Stoke-on-Trent Nightclub*

The local search for this property has revealed two planning permissions for erection of a food store with associated car parking, petrol filling station, new link road, demolition / alteration of buildings and associated works (reference numbers SOT/40778 and SOT/45782). The local authority has confirmed that the permissions relate to applications submitted by Tesco Stores Limited and the plans submitted by Tesco Stores Limited appear to overlap small areas which fall within the boundary of the property. CB Richard Ellis Limited has confirmed that this proposed development will have no

negative impact on the long term market value of the property should the proposed development proceed.

#### *Conway House*

The property is leasehold and is held by LR (Cardiff) Limited for a term of 250 years expiring in 2239 at a peppercorn rent.

In the occupational lease there is an obligation on the landlord to pay to the tenant a fair proportion, according to use, of the costs incurred by the tenant in maintaining and repairing the pedestrian and vehicular ways which form part of the Property until such time as these are maintained at public expense. The landlord also indemnifies the tenant against all costs, claims and expenses in relation to the maintenance of the sewers and roads servicing the Property (except the paths and roads mentioned above) until the same are adopted and maintained at public expense and covenants to use all reasonable efforts to maintain the road and sewers which serve the Property until they are adopted. Certifying solicitors' searches suggest that such paths, roads and sewers are not yet adopted.

#### ***Specific – Properties subject to PFI agreements***

The following three properties are subject to PFI agreements and do not fit a standard lease structure.

#### *Archer House*

The property is leasehold held by London & Regional (Stockport) Limited for a term of 250 years expiring in 2248 at a peppercorn rent. Prior to 15 April 2014, and during the last 7 years of the term, the consent of the landlord, the Secretary of State for the Environment, is required to assign the head-lease, consent not to be unreasonably withheld.

The tenant under the occupational lease of the whole of the property is the Secretary of State for the Environment. The main terms of the tenant's occupation are contained in a PFI agreement dated 22 December 1998. The PFI agreement is made between London & Regional (Stockport) Limited (the **Contractor**), Secretary of State for the Environment (the **Authority**) and London & Regional (Bond Street) Limited (the **Guarantor**). The Authority is able to determine the PFI agreement in relation to part or parts of the property (any part must be at least a wing of the building) on six months prior written notice to the Contractor notice at any time after 15 March 2009 in which case the occupational lease automatically determines as to that part of the property but continues as to the remainder and the unitary charge payable by the Authority pursuant to the PFI agreement will be reduced based on the reduction of the internal area. The Authority cannot determine the PFI agreement (whether by one or more notices) in respect of more than 20 per cent. of the internal area of the property pursuant to this break provision.

The Authority may terminate the PFI agreement in the event of the Contractor's insolvency. The PFI agreement may also be terminated in the case of force majeure.

The Contractor is to provide facilities management services to enable the Authority to occupy the property. The Authority is entitled to an abatement of the unitary charge for any period during which part or parts of the property are unavailable. The unitary charge may be subject to deductions where the Contractor has not provided the core security services and the Authority has done so itself (subject to a maximum deduction of 112.5 per cent. of the cost to the Contractor of providing such services). The unitary charge is therefore not a guaranteed fixed income stream.

The Contractor is responsible for insuring the property.

### *Elgin House and Cotton House*

In relation to both properties, HM Revenue & Customs (**HMRC**), as occupier pays Haymarket SPV Limited or (as applicable) Cochrane Square SPV Limited (the **SPV**) for providing serviced accommodation. Therefore, rather than the majority of obligations being borne by the occupier, it is the SPV who carries the major responsibilities such as providing the accommodation and maintaining it. In return for doing so, the SPV is paid by HMRC in the form of a unitary charge which is a variable sum subject to deductions where services are not provided in accordance with an accommodation agreement. In return HMRC is entitled to occupy the building for the term of the accommodation agreement. However, due to the nature of the unitary charge, if the deductions were 100 per cent., then HMRC would still be entitled to occupy the building even though they were in fact not paying anything to do so.

HMRC may terminate the PFI agreement on receivership, administration or liquidation of the SPV.

The following are SPV events of default leading to termination by HMRC giving notice:

- (a) a change in control (calculated in accordance with the Income & Corporation Taxes Act 1988 Section 416(2), (4), (5) and (6)) of the SPV without the HMRC's consent (such consent not to be unreasonably withheld and which will be deemed to have been granted failing intimation to the contrary by HMRC within 15 business days of receipt by HMRC of the request for consent). The change in control provisions do not prohibit bona fide stock market transactions or transfers to funders under any funding agreement, provided that consent for change in control is not required unless the disposal would demonstrably have a material adverse effect on the SPV's ability to perform its obligations under the accommodation agreement;
- (b) the sale, transfer, leasing or disposal of any part of the SPV's undertaking, properties or assets without the prior written consent of HMRC (such consent not to be unreasonably withheld and which will be deemed to have been granted failing intimation to the contrary by HMRC within 15 business days of receipt by HMRC of the request for consent). Such consent is not required unless a disposal would demonstrably have a material adverse effect on the ability of the SPV to perform its obligations under the accommodation agreement;
- (c) failure to remedy within a reasonable period a default under a funding agreement (unless due to a default by HMRC under the accommodation agreement) which leads to acceleration under the funding agreement which is not waived where such acceleration would have a material adverse effect on the SPV's ability to perform its obligations under the accommodation agreement;
- (d) a fundamental breach of the SPV's obligations under the accommodation agreement (unless arising as a direct consequence of a breach by HMRC) which is not capable of being remedied within three months;
- (e) the whole of the accommodation being unavailable and non-availability reductions of 100 per cent. having applied for two or more consecutive payment months (except where arising from an insured risk);
- (f) non-availability reductions of more than 25 per cent. having been made for any three or more payment months in a payment year (except where arising from an insured risk); or
- (g) where the accommodation is damaged or destroyed due to a *force majeure* event (not defined).

In addition where the SPV commits a fundamental breach of its obligations under the accommodation agreement and such breach is not a direct consequence of an HMRC default then HMRC can serve a notice on the SPV specifying the nature of the breach and giving the SPV three months to remedy. If the default is not remedied within a three month period then HMRC can by further notice terminate the accommodation agreement.

The SPV assumes full responsibility for the cost of insuring the accommodation. The payment mechanism will apply as normal where the accommodation is damaged by insured risks or force majeure (i.e. payment deductions will be made for failure to provide services and/or make the accommodation available). Such deductions would not apply towards default triggers.

The SPV is subject to full repairing obligations.

In relation to Elgin House the SPV is aware that there are plans to improve local transport links by constructing a tram line in the vicinity of the property. This new amenity might result in the compulsory purchase of a small strip of grassed land within the title, but which is located on the opposite side of the main road from the subject property, to accommodate the new tram line. The SPV has been in negotiation with the relevant body concerning the sale of the strip of land. The land is neither contiguous with the building, nor has any practical or economic purpose. In the SPV's opinion, the potential loss of this land will not adversely affect the operation of the property. On the contrary, if completed, the tram link will enhance local communications and be of significant benefit.

### ***Reports***

Apart from the Certificates of Title, summaries of the Certificates of Title (the **Overview Reports**) and the Valuation Reports, no other reports have been prepared specifically for the purpose of this document or the transactions contemplated herein and none of the Issuer, the Lead Manager, the Note Trustee or the Borrower Security Trustee has made any independent investigation of any of the matters stated therein except as disclosed in this document.

### ***Dependence on Occupational Tenants***

The ability of the Issuer to make interest payments on, and repayments of principal of, the Notes is dependent on the payments made by the Borrower under the Issuer/Borrower Loan Agreement, which in turn is dependent on, *inter alia*, the payments made by the Propcos to the Borrower under the Intra-Group Loan Agreement. The Propcos will apply the Net Rental Income generated under any lease, licence, accommodation agreement or other right of occupation or right to receive rent to which a Property may at any time be subject (the **Occupational Leases**) to make payments under the Intra-Group Loan Agreement. The Borrower will apply amounts received under the Intra-Group Loan Agreement to make payments under the Issuer/Borrower Loan Agreement. The payments in respect of the Notes will be dependent on the due performance of the obligations on the part of the tenant to pay all rents and to observe and perform the covenants, undertakings and obligations contained in the Occupational Leases. Any failure of an occupational tenant to pay rents due pursuant to the relevant Occupational Lease could affect the Issuer's ability to make payments in respect of the Notes, unless the rental payments generated by the other Occupational Leases are sufficient to allow the Borrower to pay interest under the Issuer/Borrower Loans or the Issuer can remedy a temporary shortfall by drawing under the Liquidity Facility Agreement.

### ***Default of Occupational Tenants***

The Rental Income under the Occupational Leases is not insured or guaranteed. Following a default under the Issuer/Borrower Loan Agreement, it may be necessary to offer to re-let or, as appropriate, sell the relevant Property. Amounts received in respect of the Properties following a reletting or sale



could be insufficient to pay accrued interest on and to repay principal of the Issuer/Borrower Loan Agreement in full in which case Noteholders may ultimately suffer a loss.

The amount of the Rental Income for which any Property could be re-let or the liquidation value of the Properties may be adversely affected by risks generally incidental to interests in real or (in Scotland) heritable property, including: changes in political and economic conditions or in specific industry segments; declines in property values; variations in supply of and demand for commercial property; declines in rental or occupancy rates; increases in interest rates; changes in governmental rules, regulations and fiscal policies; terrorism; acts of God; and other factors which are beyond the control of L&R and any other party to the transaction.

#### ***Requirement to find new tenants***

Some of the leases are scheduled to expire prior to the Expected Maturity Date, and during the full term of the Notes some of the leases may become subject to renewals or the relevant space may need to be re-let. There can be no assurance that the Propcos will be able to re-let or, if re-let, that the new leases for such space will be on terms as favourable to the relevant Propco as those currently, or then, existing or that the covenants or undertakings given by and/or status of any tenants under new leases will be the same as those, or equivalent to, any tenants under the leases.

The ability to attract tenants paying rent levels sufficient to allow the Borrower to make payments in full due under the Issuer/Borrower Loans will be dependent, among other things, on the performance of the commercial property market generally in the United Kingdom. Both tenant demand and rental levels can generally be influenced by a number of factors, including availability of suitable space, demand for space and the performance of the local economy generally.

Upon the re-letting of any Property no assurance can be given that the rent on such re-letting will be equal to or higher than the rental value achieved previously on such Property or that (unless such is the market norm at the time) the rent review provisions in the new lease of such Property will be on an upwards-only basis.

#### ***Terms of Occupational Leases***

Save for the Certificates of Title prepared by the Solicitors, no due diligence has been performed in respect of the terms of the Occupational Leases. However, the Obligors have represented to the Issuer that the obligation to make payments under an Occupational Lease in respect of the Properties is or, as applicable, will be, an unconditional obligation on the part of the relevant occupational tenant. Save as disclosed under "Title" above substantially all the Occupational Leases (except the Occupational Leases and or occupational rights granted in respect of Archer House, Elgin House and Cotton House) are either (a) "fully repairing and insuring" leases; that is, substantially all of the economic liabilities arising in relation to the upkeep and operation of the relevant leased premises are borne by the tenant, including the costs of repairing, maintaining and insuring the relevant premises subject to certain limited exceptions in certain cases, or (b) effective fully repairing and insuring leases; *i.e.* the tenant has an internal repairing lease and other costs are fully recoverable through the service charge.

In each Occupational Lease, the original owner has covenanted or undertaken, or as applicable the Propcos will covenant or undertake, with the tenant to, inter alia, allow such tenant quiet enjoyment of that part of the Property which is leased to it. A breach by a Propco of any of these covenants or undertakings could give rise to a dispute with the tenant, and the tenant might seek to withhold rental payments (notwithstanding any contractual prohibition contained in the relevant Occupational Lease against the tenant exercising any such set-off).

#### ***Uninsured Loss***

The Issuer/Borrower Loan Agreement requires the Obligors to procure that insurance is maintained with respect to the Properties in accordance with the terms set out in the Issuer/Borrower Loan Agreement. There are, however, certain types of losses (such as losses resulting from wars, nuclear radiation, radioactive contamination and settling of structures) which are not covered by the required insurance policies. Losses resulting from wars, nuclear radiation and radioactive contamination are nevertheless the subject of a statutory indemnity from the UK Government and, accordingly, are excluded from all UK insurance policies. Losses resulting from terrorism, heave and subsidence are currently covered by UK insurance policies (except in relation to Northern Ireland policies where terrorism is not covered but where there is a statutory compensation scheme in existence in respect of losses resulting from terrorist acts). Furthermore, there can be no guarantee, that losses from heave and subsidence or certain other types of losses will remain insurable or economically insurable and therefore covered by the required insurance policies throughout the term of the Notes. The Borrower's ability to repay the Issuer/Borrower Loan Agreement might be affected adversely if such an uninsured or insurable loss were to occur.

### ***Reliance on Valuations***

There can be no assurance that the market value of each of the Properties will continue at a level equal to or in excess of such valuations. To the extent that the market value of each of the Properties fluctuate, there is no assurance that the aggregate of the market values of the Properties will be equal to or greater than the unpaid principal and accrued interest and any other amounts due under the Issuer/Borrower Loan Agreement. If any Property is sold following a Loan Event of Default, there is no assurance that the net proceeds of such sale will be sufficient to pay in full all or any amounts due under the Issuer/Borrower Loan Agreement. In the event of any insufficiency, the Issuer may be unable to pay in full all or any amounts due under the Notes.

### ***Environmental risks***

The Obligors have covenanted in the Issuer/Borrower Loan Agreement to ensure that, they have been and are in compliance in all material respects with environmental and health and safety laws and regulations currently applicable to them. They are also committed, as a matter of policy, to operate their business in material compliance with all applicable environmental and health and safety laws and regulations. However, there can be no assurance that the Propcos will not be found to be in breach of any environmental and health and safety regulations in the future. Sanctions for alleged or actual non compliance with environmental and health and safety regulations could have a material adverse effect on its business or financial condition.

No environmental due diligence in respect of the Properties has been carried out in connection with the issue of the Notes and related transactions.

Various environmental laws may require a current or previous owner, occupier or operator of property to remediate substances or releases at or from such property that cause or are likely to cause harm to the environment or water pollution. These owners, occupiers or operators may also be obliged to pay damages in legal proceedings for property damage, for investigation and clean-up costs and liabilities to third parties in connection with such substances.

If an environmental liability arises in relation to the Properties and it is not remedied, or is not capable of being remedied, this may result in the Properties either being sold at a reduced sale price or becoming unlettable or unsellable.

If any environmental liability were to exist or arise in respect of any Property, none of the Borrower Security Trustee or the Note Trustee should incur any such liability prior to enforcement of the Deed of Charge, unless it could be established that the Borrower Security Trustee or the Note Trustee had entered into possession of the relevant Property(ies) or had exercised a significant degree of control or

management of either the relevant Property(ies) or the relevant environmental problem(s). After enforcement, the Borrower Security Trustee or the Note Trustee, if deemed to be a mortgagee or heritable creditor in possession, or a receiver appointed on behalf of the Borrower Security Trustee or the Note Trustee, could become responsible for environmental liabilities in respect of a Property and any such liability could affect the amounts available to the Issuer to make payments under the Notes. If the Borrower Security Trustee or the Note Trustee unduly directed or interfered with the actions of the directors or the legal owners of the Properties or directed or interfered with the receiver's actions or if a receiver's indemnity had been given and that indemnity covered environmental liabilities, this could also result in a liability for the Issuer, the Borrower Security Trustee and/or the Note Trustee. Even if either of them could incur such a liability solely by virtue of being the owner and/or lessor of such Property(ies) they may be able to obtain an indemnity from the relevant tenant in possession.

### ***Compulsory Purchase***

Any property in the United Kingdom may at any time be compulsorily acquired in whole or in part by, *inter alios*, a local authority or a Government Department (for example the Department of Transport), generally in connection with proposed redevelopment or infrastructure projects. No such compulsory purchase proposals have been revealed in the Certificate of Title issued in relation to each Property.

In the event of a compulsory purchase order being made in respect of a Property, compensation would be payable by the relevant Government Department or local authority on the basis of the open market value of all owners' and tenants' proprietary interests in the Property, as valued by such Government Department or local authority, at the time of the related purchase. Following such a purchase the tenants would cease to be obliged to make any further rental payments to the relevant Propco under the relevant occupational lease (or rental payments would be reduced to reflect the compulsory purchase of a part of its Property if applicable). Such a purchase might also constitute a Loan Event of Default and lead to an acceleration of the Issuer/Borrower Loans and the B Loan. The risk to Noteholders is that the amount received from the proceeds of purchase of the freehold or leasehold estate of such Property may be less than the original value ascribed to it.

It should be noted that there is often a delay between the compulsory purchase of a property and the payment of compensation (although interest may be payable from the date upon which the acquiring authority takes possession of the property), which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the open market value of the property. Such a delay may, unless the relevant Propco has other funds available to it, give rise to a Loan Event of Default under the Issuer/Borrower Loan Agreement and the B Loan Agreement.

### ***Forfeiture in respect of Leaseholds***

In the case of non-payment of rent and other remediable breaches the tenant is likely (provided that it does remedy such non-payment or other breach) to obtain relief from any attempts to terminate the lease (i.e. forfeiture) thus preventing termination of the lease. The Propcos have undertaken under the Issuer/Borrower Loan Agreement to comply with the terms of the headleases.

### ***Frustration***

An Occupational Lease in respect of a Property could, in exceptional circumstances, be frustrated under English or Scots law. Under English law, frustration may occur where a supervening event so radically alters the implications of the continuance of a lease for a party thereto that it would be inequitable for such lease to continue. Under the equivalent Scots law principle of *rei interitus*, a lease will (subject to express agreement to the contrary) terminate if the leased property is destroyed to the extent that it is no longer tenantable or if an event occurs which otherwise precludes

performance of the parties' rights and obligations under the lease. If a tenancy granted in respect of a

Property were to be frustrated, this could operate to have an adverse effect on the income derived from, or able to be generated by, such Property. This in turn could cause the Borrower to have insufficient funds to make payments in full in respect of the Issuer/Borrower Loan Agreement, which could lead to a default thereunder.

### ***Risks relating to Payment of Rent***

There is a risk that rental payments due under the Occupational Leases will not be paid or will not have been paid on the due date therefor or not paid at all. In the event of a late payment of rent which is not received on or prior to the immediately following Interest Payment Date and any resultant shortfall is not otherwise compensated for by any excess spread on the other Occupational Leases and the Borrower fails to pay the amount due on the next Interest Payment Date, an event of default will occur in relation to the Issuer/Borrower Loan Agreement. Such a Loan Event of Default may cause a Note Event of Default if the Issuer cannot remedy such shortfall by a drawing under the Liquidity Facility Agreement. No assurance can be given that the resources available to the Issuer will be sufficient to cover any such shortfall and that a Note Event of Default will not in fact occur as a result of the late payment of rent.

### ***Landlord's responsibilities***

Certain of the Properties are multi-tenanted properties in respect of which the relevant Propcos, each as landlord, are obliged to provide services relating to the areas of the Property that are used by all the tenants and their visitors collectively, rather than by an individual tenant. Although tenants are required by the terms of their leases to make service charge contributions towards the landlord's costs in this regard, the relevant Propco would be responsible for meeting any shortfalls in contributions and covering the contribution that would otherwise be made by tenants of unlet units.

### ***Enforcement of the Obligor Security***

Subject to the terms of the Intercreditor Agreement, in the event of a notice to the Borrower by the Issuer or the Borrower Security Trustee declaring all or part of any amounts outstanding under the Finance Documents due and payable and/or payable on demand by the Issuer, recourse will be available only to the assets the subject of the Obligor Security (including the Properties, the benefit of the covenants and undertakings in favour of the Borrower and Propcos pursuant to the terms of the Transaction Documents and the Obligor Accounts). Enforcement of the Obligor Security may not result in immediate realisation from the property and assets secured pursuant to the terms thereof and a significant delay could be experienced in recovery by the Borrower Security Trustee of, *inter alia*, amounts owed under the Intra-Group Loan Agreement, the Issuer/Borrower Loan Agreement and the B Loan Agreement (in particular, please see "*Insolvency Considerations*" below). Any receiver appointed would usually require an indemnity to meet his costs and expenses (which rank ahead of payments on the Notes) as a condition of his appointment. Furthermore, there can be no assurance that the Borrower Security Trustee would recover all amounts secured upon enforcement of the Obligor Security and, accordingly, sufficient funds may not be realised or available to make all required payments to the Issuer and, accordingly, the Issuer may not have sufficient funds available to make all required payments to the Noteholders.

The fixed security under the Mortgage of Shares granted by the relevant Share Mortgagor in respect of the shares in the Scottish Propcos in favour of the Borrower Security Trustee can only be made effective on the registration of the Borrower Security Trustee (or its nominee) in the register of members for the relevant Scottish Propco. If prior to such registration (i) transfer of any of the relevant shares to a *bona fide* third party (by way of sale, security or otherwise) is registered in the register of members of the relevant Scottish Propco or any other transmission of the said shares is so registered or (ii) any floating charge granted over the said shares by the relevant Share Mortgagor in favour of a third party crystallises (or otherwise prohibits entry into the Mortgage of Shares or the

relevant transfer) or (iii) any of the said shares are arrested by a third party, the said fixed security will be postponed in priority to the rights of such third party and may not be valid or effective against third parties in general. Such registration is intended to take place on or immediately following the Closing Date.

The Scottish Rental Assignations granted by the relevant Obligors in favour of the Borrower Security Trustee can only be made effective by formal notification (**intimation**) being made to the relevant occupiers of each Scottish Property (and such occupiers acting upon the intimation by directing future rent payments to an account under the control of the Borrower Security Trustee). Intimation of the Scottish Rental Assignations is intended to take place on or immediately following the Closing Date.

#### ***Market risks upon the sale of the Properties***

In the event of enforcement of the Obligor Security it may be necessary to sell the Properties. Sale proceeds could be insufficient to pay accrued interest and repay principal under the Intra-Group Loan Agreement and the Issuer/Borrower Loan Agreement in full, in which case Noteholders may ultimately suffer a loss. The value and income generating potential of the Properties may be adversely affected by risks generally incidental to interests in real or heritable property, including changes in political and economic conditions and/or in business conditions in specific industry and regional segments, legislative and policy change that results in deterioration in the demand for office, retail and industrial accommodation and/or increasing available supply of such space and/or terrorism and acts of God, and other factors which are beyond the control of any party to the transaction.

#### ***Monitoring of compliance with representations, warranties and covenants and the occurrence of a Loan Event of Default***

The Intercreditor Agreement will provide that the Borrower Security Trustee will not be deemed to have knowledge of the occurrence of a Loan Event of Default. The Borrower Security Trustee will not be obliged to monitor or enquire whether any such event has occurred.

Moreover, as the Issuer is a special purpose company, it will not, nor does it possess the resources to, actively monitor whether a Loan Event of Default has occurred, including, for this purpose, the continued accuracy of the representations and warranties made by the Obligors and compliance by the Obligors with their covenants and undertakings.

The Issuer/Borrower Loan Agreement will require the Obligors to inform the Issuer and the Borrower Security Trustee of the occurrence of any Loan Event of Default promptly upon becoming aware of the same.

The occurrence of a Loan Event of Default will entitle the Borrower Security Trustee to pursue any of the courses of action available to it.

#### ***Mortgagee or heritable creditor in possession liability***

The Borrower Security Trustee may be deemed to be a mortgagee or heritable creditor in possession if there is physical entry into possession of any Property or an act of control or influence which may amount to possession (such as receiving rents directly from the relevant tenant or sub-tenant). A mortgagee or (in respect of Scottish Properties) heritable creditor in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation) and in certain circumstances, can incur the liabilities of a property owner, for which it may be entitled to be indemnified out of the Borrower Security, thereby reducing the amount available to the Borrower Secured Creditors (including the Issuer and, in turn, the Noteholders). The Borrower Security Trustee has the absolute discretion, at any time, to serve a written notice on a Propco requiring the Propco from the date such notice is served to obtain the Borrower Security

Trustee's prior written consent before taking any action which would be likely to lead to the Borrower Security Trustee becoming a mortgagee or heritable creditor in possession in respect of a Property.

### ***Property Management***

Whilst London & Regional Properties Limited, as the Property Manager appointed on or about the Closing Date, is experienced in managing commercial retail property, there can be no assurance that it will continue to act as Property Manager, although any successor manager of a Property appointed by the Propcos is required to be experienced in managing commercial retail and office premises.

### ***Delegation***

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

### **Risks relating to Taxation**

#### ***Withholding tax in respect of the Issuer/Borrower Loan Agreement***

Based on advice received, the directors of the Issuer believe that, under current law, all payments made to it under the Issuer/Borrower Loan Agreement can be made without deduction or withholding for or on account of any United Kingdom tax. In the event that any withholding or deduction for or on account of tax is required to be made from any payment due to the Issuer under the Issuer/Borrower Loan Agreement, the amount of that payment will be increased so that, after that withholding or deduction has been made, the Issuer will receive a cash amount equal to that which it would have received had no such withholding or deduction been required to be made. If the Borrower does not have sufficient funds to enable it to make such increased payments to the Issuer, the Issuer's ability to meet its payment obligations under the Notes could be adversely affected.

In such circumstances, the Borrower may choose to exercise its right to prepay the outstanding Issuer/Borrower Loans in full. If the Borrower chooses to prepay the Issuer/Borrower Loans, the Issuer will then be obliged to redeem the Notes.

#### ***Withholding tax in respect of the Notes***

In the event that any withholding or deduction for or on account of tax is required to be made from payments due under the Notes (as to which, in relation to United Kingdom tax, see "*United Kingdom Taxation*" below), neither the Issuer nor any Paying Agent nor any other person will be obliged to pay any additional amounts to Noteholders or, if Definitive Notes are issued, Couponholders or to otherwise compensate Noteholders or Couponholders for the reduction in the amounts they will receive as a result of such withholding or deduction. For the avoidance of doubt, neither the Note Trustee nor Noteholders nor, if Definitive Notes are issued, Couponholders will have the right to require the Issuer to redeem the Notes in these circumstances.

#### ***European Union Directive on the Taxation of Savings Income***

Under the EC Council Directive 2003/48/EC on the taxation of savings income Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

### ***Contingent Taxation Liabilities***

Certain Propcos acquired a Property from another company which was, at the time of that acquisition, a member of the same group for the purposes of United Kingdom corporation tax on chargeable gains (CGT) and/or stamp duty land tax (SDLT).

As a consequence, some of these Propcos have contingent liabilities to pay CGT or SDLT which will become actual liabilities to pay tax if (broadly) the relevant Propco ceases to be a member of the relevant tax group within a period specified by statute.

The aggregate amount of these contingent CGT Liabilities is approximately £3,581,013 and the aggregate amount of these contingent SDLT liabilities is approximately £6,078,800. The contingent CGT Liabilities will expire, if they do not become actual liabilities, in 2007. Of the contingent SDLT liabilities, if they do not become actual liabilities, approximately 53 per cent. are due to expire 2007 and approximately 47 per cent. are due to expire in 2009 although, if before the end of the specified period arrangements have been entered into for the relevant Propco to leave the relevant SDLT group, then these contingent SDLT liabilities may expire at a later date.

Although a degrouping is not currently anticipated, if it were to happen and such a contingent liability to pay tax were to become an actual liability to pay tax, the discharge of that tax liability could reduce the amount of post-tax income available to the relevant Propco to make payments of interest, principal and fees under the Intra-Group Loan Agreement and the Borrower's ability to meet its payment obligations under the Issuer/Borrower Loan Agreement (and, consequently, the Issuer's ability to meet its payment obligations under the Notes) could be adversely affected.

To mitigate this risk, London & Regional Group Holdings Limited will undertake (on behalf of itself and each other company controlled by it from time to time) not to do anything which could result in such contingent liabilities becoming actual liabilities to pay tax. This undertaking will be secured by the Mortgage of Shares.

### ***General Taxation Liabilities***

The ability of each Propco to satisfy its payment obligations under the Intra-Group Loan Agreement will depend, *inter alia*, on the tax position of the relevant Propco. Deemed income may arise in respect of certain intra-group loans (made by the Propcos to another L&R Group entity using surplus proceeds advanced to the Propcos under the Intra-Group Loan Agreement). However, in line with the L&R Group's transfer pricing policy, the L&R Group do not expect such deemed income to arise. London & Regional Group Holdings Limited will undertake in the Tax Deed of Covenant (on behalf of itself and each other member of the L&R Group from time to time) to make or procure the making of payments to the Propcos to compensate the Propcos in respect of any tax liabilities arising in respect of this deemed income (should any such income arise). If London & Regional Group Holdings Limited does not comply with this undertaking or if there were generally insufficient deductions available to the Propcos, this may result in a shortfall in the amounts available for payments under the Intra-Group Loan Agreement, affecting the ability of the Borrower to meet its

obligations under the Issuer/Borrower Loan Agreement. Any such resulting default would entitle the Borrower Security Trustee to take enforcement action.

## **Insolvency Considerations**

### *Appointment of a receiver*

At any time after the Issuer Security has become enforceable, the Note Trustee (provided that it is indemnified and/or secured to its satisfaction) may pursue a number of different remedies. One such remedy is the appointment of a receiver over all, or part, of the assets and undertakings of the Issuer.

### *Enterprise Act 2002*

On 15 September 2003, the corporate insolvency provisions of the Enterprise Act 2002 came into force, amending certain provisions of the Insolvency Act 1986 (as amended, the **Insolvency Act**). These provisions introduced significant reforms to corporate insolvency law. In particular, the reforms restrict the right of the holder of a floating charge to appoint an administrative receiver (unless an exception applies) and instead gives primacy to collective insolvency procedures (in particular, administration). Previously, the holder of a floating charge over the whole or substantially the whole of the assets of a company had the ability to block the appointment of an administrator by appointing an administrative receiver, who would act primarily in the interests of the floating charge holder.

However, section 72B of the Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the right to appoint an administrative receiver is retained for certain types of security (such as the floating charge granted by the Issuer pursuant to the Issuer Deed of Charge and the Borrower and the Propcos pursuant to the Deed of Charge) which form part of a capital market arrangement (as defined in the Insolvency Act) and which involves both indebtedness of at least £50,000,000 (or, when the relevant security document (being in respect of the transactions described in this Offering Circular, the Issuer Deed of Charge and the Deed of Charge) was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50,000,000) and also the issue of a capital market investment (also defined by generally a rated, listed or traded bond).

The Issuer is of the view that the floating charges granted by the Issuer, the Borrower and the Propcos will fall within the 'capital market exception' under section 72B of the Insolvency Act. It should, however, be noted that the Secretary of State may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this document, will not be detrimental to the interests of the Noteholders.

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



new out-of-court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed.

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

In addition to the introduction of a prohibition on the appointment of an administrative receiver as set out above, section 176A of the Insolvency Act provides that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's "net property" is defined as the amount of the company's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration. The "prescribed part" is defined in the Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/2097) to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, up to a maximum of £600,000. The Propcos were incorporated as special purpose entities but as they have been historically active companies, they are likely to have unsecured creditors, although each Propco will provide representations as to its solvency as at the Closing Date and that there are no administrative proceedings which are current or, to its knowledge, pending or threatened against it or any of its assets or properties, which are reasonably likely to be material. The Borrower was incorporated on 2 June 2006 and since then has only engaged in such activities as were incidental to its registration, the matters referred to or otherwise contemplated in this Offering Circular and the authorisation, execution, delivery and performance of the other documents referred to in this Offering Circular to which it is a party and matters which are incidental or ancillary to the foregoing.

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

### ***Receiver as agent***

A receiver would generally be the agent of the relevant company until the company's liquidation, and thus, while acting within his powers, will enter into agreements and take actions in the name of, and on behalf of, the company. The receiver will be personally liable on any contract entered into by him in carrying out his functions (except in so far as the contract provides otherwise) but will have an indemnity out of the assets of the company. If, however, the receiver's appointor unduly directed or interfered with or influenced the receiver's actions, a court may decide that the receiver was the agent of his appointor and that his appointor should be responsible for the receiver's acts and omissions.

Each of the Borrower Security Trustee and the Note Trustee is entitled to receive remuneration and reimbursement for its expenses and an indemnity out of the assets of the Obligors or the Issuer, as applicable, for their potential liabilities. Such payments to the Borrower Security Trustee will rank ahead of the interest and principal due under the Intra-Group Loan Agreement or the Issuer/Borrower Loan Agreement respectively (and, in turn, payments by the Issuer under the Notes). Similarly, such payments to the Note Trustee will rank ahead of payments by the Issuer under the Notes.

Accordingly, should the Borrower Security Trustee or the Note Trustee become liable for acts of such a receiver, the amount that would otherwise be available for payment to the Noteholders may be reduced.

If the company to which the receiver is appointed goes into liquidation, then, as noted above, the receiver will cease to be that company's agent. At such time he will then act either as agent of his appointor or as principal according to the facts existing at that time. If he acts as agent of his appointor, then for the reasons set out in the foregoing paragraph, the amount that would otherwise be available for payment to Noteholders may be reduced. If the receiver acts as principal and incurs a personal liability, he will have a right of indemnity out of the assets in his hands in respect of that liability and the amount that would otherwise have been available for payment to the Noteholders (subject to any claims of the Borrower Security Trustee or the Note Trustee) would be reduced accordingly.

### ***Insolvency Act 2000***

Under the Insolvency Act 2000, which amended the Insolvency Act 1986 with effect from 1 January 2003, certain companies (**small companies**) are entitled to seek protection from their creditors for a period of 28 days for the purposes of putting together a company voluntary arrangement with the option for creditors to extend the moratorium for a further two months. A small company is defined as one which satisfies two or more of the following criteria:

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

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

However, secondary legislation has been enacted which excludes certain special purpose companies in relation to capital market transactions from the optional moratorium provisions. Such exceptions include (a) a company which is a party to an agreement which is or forms part of a capital market arrangement (as defined in that secondary legislation) under which a party has incurred or when the agreement was entered into was expected to incur a debt of at least £10 million and which involves the issue of a capital market investment (also defined, but generally a rated, listed or traded bond) and (b) a company which has incurred a liability (including a present, future or contingent liability) of at least £10 million. While the Issuer is of the view that the Issuer and each Obligor should fall within the exceptions, there is no guidance as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. No assurance can be given that any modification of the eligibility requirements for these exceptions will not be detrimental to the interests of Noteholders.

If the Issuer and/or each Obligor is determined to be a "small" company and determined not to fall within one of the exceptions (by reason of modification of the exceptions or otherwise), then the enforcement of the security for the Notes by the Note Trustee may, for a period, be prohibited by the imposition of a moratorium.

### ***Administration***

If the Borrower Security Trustee or the Note Trustee are prohibited from appointing an administrative receiver, whether by virtue of the amendments made to the Insolvency Act by the Enterprise Act or otherwise, or fails to exercise its right to appoint an administrative receiver within the relevant notice period, and the Obligors or, as the case may be, the Issuer were to go into administration, the expenses of the administration would also rank ahead of the claims of the Borrower Security Trustee or the Note Trustee (as the case may be) as floating charge holder. Furthermore, in such circumstances, the administrator would be free to dispose of floating charge assets without the leave of the court, although the Borrower Security Trustee or the Note Trustee (as the case may be) would have the same priority in respect of the property of the company representing the floating charge assets disposed of (if any) as it would have had in respect of such floating charge assets.

The Share Mortgages will not be granting floating charges and it will therefore not be possible to block the making of an administration order in respect of any of the Share Mortgages and its respective assets by the appointment of an administrative receiver pursuant to a qualifying floating charge. As a result of the stay in proceedings upon the making of such an administration order, the Borrower Security Trustee would not be entitled to enforce its security over the relevant Share Mortgage's assets, unless it obtained the consent of the administrator or approval of the court.

### ***Recharacterisation of fixed security interest***

There is a possibility that a Court could find that certain of the fixed security interests expressed to be created by the Deed of Charge and the Issuer Deed of Charge, which are governed by English law, could take effect as floating charges notwithstanding that they are expressed to be fixed charges.

If the fixed security interests are recharacterised as floating security interests, the claims of: (i) the unsecured creditors of the relevant Obligor or, as the case may be, of the Issuer in respect of that part of the Obligor's or, as the case may be, the Issuer's net property which is ring fenced as a result of the Enterprise Act; and (ii) certain statutorily defined preferential creditors of the relevant Obligor or, as the case may be, the Issuer may have priority over the rights of the Borrower Security Trustee or the Note Trustee, as the case may be, to the proceeds of enforcement of such security.

It should be noted that there is no equivalent concept of recharacterisation of fixed security as floating charges under Scots law.

### **General considerations**

#### ***Modifications, Waivers and Consents in respect of Transaction Documents***

The Issuer/Borrower Loan Agreement and the B Loan Agreement require that, to make an amendment to any Finance Document, the consent of all the parties to the relevant agreement must be obtained.

Notwithstanding the requirements in the Issuer/Borrower Loan Agreement and the B Loan Agreement or any other Finance Document, the Intercreditor Agreement states that an amendment can be made to any Finance Document with the consent of the majority lenders under the Issuer/Borrower Loan Agreement (subject to certain agreed exceptions requiring the consent of all creditors).

The Issuer may request the Note Trustee to agree to any modification to, or to give its consent to any event, matter or thing, or grant any waiver in respect of the Issuer Transaction Documents to which it is a party or in respect of which it holds security (other than in certain circumstances, a Basic Terms Modification).

The Note Trustee will, in accordance with and pursuant to the terms of the Trust Deed, consent (other than in the case of **paragraphs (a), (c) and (d)** in respect of a Basic Terms Modification) to such request if:

- (a) in its opinion, the interests of the holders of the Most Senior Class of Notes then outstanding would not be materially prejudiced thereby; or
- (b) in its opinion, such modification is required to correct a manifest error or an error which is, in the opinion of the Note Trustee, proven or is of a formal, minor or technical nature; or
- (c) it is required or permitted, subject to the satisfaction of specified conditions, under the terms of the Conditions or the Transaction Documents, provided such conditions are satisfied; or
- (d) it is satisfied that the then current ratings of the Notes will not be subject to downgrade, withdrawal or suspension or put on negative credit watch, in relation thereto, and it considers that such test is an appropriate test or the only appropriate test to apply in that circumstance in exercising any such power, trust, authority, duty or discretion or, as the case may be, in giving the relevant consent.

There can be no assurance that any modification, consent or waiver in respect of the Transaction Documents will be favourable to all Noteholders (or any Class thereof). Such changes may be detrimental to the interests of some or all Noteholders (or any Class thereof), despite the ratings of such Notes being affirmed.

The Note Trustee may seek the approval of, *inter alios*, the Noteholders of the Most Senior Class of Notes (by way of an Extraordinary Resolution) as a condition to, *inter alia*, concurring in making modifications to, giving consents under or granting waivers in respect of breaches or potential breaches of, the Transaction Documents (other than Basic Terms Modifications in respect of which the consent of each Class of Notes must be sought). Therefore, certain modifications to, consents under or grants of waivers in respect of breaches or potential breaches of, the Transaction Documents may be approved without the consent of every Noteholder.

#### ***Changes to the Basel Capital Accord (Basel II)***

The Basel Committee on Banking Supervision has issued proposals for reform of the 1988 Capital Accord and has proposed a framework which places enhanced emphasis on market discipline and sensitivity to risk. The text of the proposed framework was published on 26 June 2004 under the title "Basel II: International Convergence of Capital Management and Capital Standards: a Revised Framework", a revised version of which was published on 15 November 2005 (the **Framework**). The Committee has suggested that the various approaches under the Framework should be implemented in stages (some from year-end 2006 and the most advanced from year-end 2007), although national implementation dates may differ depending on the relevant implementation process. If implemented in accordance with its current form (including through the EU Capital Requirements Directive), the Framework could affect riskweighting of the Notes in respect of certain investors if those investors are subject to the new Framework following its implementation. Consequently, investors should consult their own advisers as to the consequences for them of the application of the Framework and any relevant implementing measures. No predictions can be made as to the precise effects of potential changes which might result if the Framework were adopted (in its current form or otherwise).

#### ***Risks relating to the Introduction of International Financial Reporting Standards***

The UK corporation tax position of the Issuer, the Borrower and each of the Propcos depends to a significant extent on the accounting treatment applicable to it. The accounts of the Issuer are required to comply with International Financial Reporting Standards (IFRS) or with new UK Financial

Reporting Standards which have been substantially aligned with IFRS (**new UK GAAP**). Compliance with IFRS or new UK GAAP is currently optional for private companies such as the Borrower and the Propcos, and the Borrower and the Propcos will undertake in the Tax Deed of Covenant not to adopt IFRS or new UK GAAP unless required to do so by law. No assurance is given, however, that the accounts of private companies will not in the future be required to comply with IFRS or new UK GAAP. There is a concern (unless tax legislation provides otherwise) that certain companies that prepare their accounts under either IFRS or new UK GAAP, might be required to recognise in their accounts movements in the fair value of their assets that could result in profits or losses for accounting purposes, which bear little or no relationship to the company's cash position.

This concern has been addressed in part by the introduction of the Loan Relationships and Derivative Contracts (Disregard and Bringing into Account of Profits and Losses) Regulations 2004 (the **Disregard Regulations**). These regulations enable a company, broadly, for UK corporation tax purposes, to disregard accounting gains and losses relating to changes in the fair value of its derivative contracts or loan relationships if those contracts hedge items which are not themselves required to be fair valued for accounting purposes, and instead to compute its gains and losses in relation to those contracts in accordance with an appropriate accruals basis.

This concern is also addressed in relation to certain companies in the Finance Act 2005, which contains legislation requiring "securitisation companies" to prepare tax computations for accounting periods ending before 1 January 2007 (the **moratorium period**) on the basis of UK GAAP as applicable up to 31 December 2004, notwithstanding any requirement to prepare statutory accounts under IFRS or new UK GAAP. The Finance Act 2006 extends the moratorium period for a further year. However, the Finance Act 2006 also amends the definition of "securitisation company" and such amendment is deemed always to have had effect, subject to certain transitional provisions. On the basis of the amended definition, the Issuer may not be a "securitisation company" for these purposes.

The Finance Act 2005 provides for the power on the part of the Treasury to introduce regulations to establish a permanent tax regime for securitisation companies. Draft regulations have been published for consultation which, if they are brought into force in substantially the form as published, would apply for accounting periods beginning on or after 1 January 2007. Broadly, the draft regulations would seek to tax securitisation companies which meet certain conditions by reference to their retained profit.

The stated policy of H.M. Revenue & Customs is that the tax neutrality of securitisation special purpose companies in general should not be disrupted as a result of the transition to IFRS or new UK GAAP and they are working with participants in the securitisation industry to identify appropriate measure of preventing such disruption.

However, if the Issuer does not qualify for the moratorium period, and if H.M. Revenue & Customs does not introduce further measures to deal with accounting periods ending on or after 1 January 2008, then profits or losses (which are not ignored for tax purposes under the Disregard Regulations) could arise in the Issuer as a result of the application of IFRS or new UK GAAP which could have tax effects not contemplated in the cashflows for the transaction and as such adversely affect the Issuer and consequently may affect the Noteholders.

### ***Changes of law***

The structure of the issue of the Notes, the ratings which are to be assigned to the Notes and the related transactions described in this Offering Circular are based on English, Scots and European laws and administrative practice (including United Kingdom Tax law and the published practice of H.M. Revenue & Customs) in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible change to English, Scots or European laws or administrative practice

after the date of this Offering Circular nor can any assurance be given as to whether any such change would adversely affect the ability of the Issuer to make payments under the Notes.

### ***Transparency Directive***

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (the **Transparency Directive**) entered into force on 20 January 2005. It requires Member States to take measures necessary to comply with the Transparency Directive by 20 January 2007. Should the Transparency Directive, or any legislation implementing the Transparency Directive, impose requirements on the Issuer such that the Note Trustee considers the maintenance of the listing of the Notes on the Irish Stock Exchange unduly onerous on the Issuer, and further if the Note Trustee is of the opinion that to do so would not be materially prejudicial to the interests of the Noteholders, the Issuer may seek to obtain and maintain a quotation or listing of the Notes on such other stock exchange or exchanges or securities market or markets as the Issuer may (with the prior written approval of the Note Trustee) decide. Although no assurance is made as to the liquidity of the Notes as a result of the listing on the Irish Stock Exchange, de-listing the Notes from the Irish Stock Exchange may have a material effect on the ability to resell the Notes in the secondary market.

### ***European Monetary Union***

It is possible that prior to the maturity of the Notes, the United Kingdom may become a participating member state in the European Economic Monetary Union and therefore the Euro may become the lawful currency of the United Kingdom. In that event, all amounts payable in respect of the Notes may become payable in Euro and applicable provisions of law may allow the Issuer to redenominate respectively each Class of Notes in Euro and take additional measures in respect of the Notes. The introduction of the Euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the Notes, or changes in the way those rates are calculated, quoted, published or displayed. If the Notes are outstanding at a time when the Euro becomes the lawful currency of the United Kingdom, the Issuer intends to make payment on the Notes in accordance with the then prevailing market practice of payment on such debts. The introduction of the Euro could also be accompanied by a volatile interest rate environment which could adversely affect investors. It cannot be said with certainty what effect the adoption of the Euro by the United Kingdom (if it occurs) would have on investors in the Notes.

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

## SUMMARY OF PRINCIPAL DOCUMENTS

The following is intended only to be a summary of certain provisions of the principal transaction documents.

### 1. THE ISSUER/BORROWER LOAN AGREEMENT

#### *Issuer/Borrower Loan Agreement*

The Issuer/Borrower Loan Agreement will be made between, *inter alios*, the Issuer, the Borrower, the Propcos, the Cash Manager, the Note Trustee, the Borrower Security Trustee and the Swap Counterparty on or about the Closing Date. Under the terms of the Issuer/Borrower Loan Agreement, the Issuer will advance to the Borrower, on or about the Closing Date, an amount of £256,000,000 (the **Issuer/Borrower Loans**), in three tranches: an A1 tranche in an aggregate principal amount of £190,000,000 (the **A1 Facility**), an A2 tranche in an aggregate principal amount of £16,000,000 (the **A2 Facility**) and an A3 tranche in an aggregate principal amount of £50,000,000 (the **A3 Facility** and, together with the A1 Facility and the A2 Facility, the **A Facilities**). The Issuer/Borrower Loans will be used by the Borrower to make an advance to the Propcos under the Intra-Group Loan Agreement. The Propcos will be a party to the Issuer/Borrower Loan Agreement only for the purpose of giving certain representations and warranties, making covenants in respect of the Properties for the benefit of the Issuer, establishing signing rights in respect of the General Account and giving guarantees.

The Borrower will be required under the terms of the Issuer/Borrower Loan Agreement to pay to the Issuer and the Borrower Security Trustee the costs and expenses incurred in connection with the preparation of the Offering Circular, the issue of the Notes and the negotiation, preparation and execution of each Borrower Transaction Document.

The Borrower will be entitled to incur new financial indebtedness for the purposes of a simultaneous refinancing of the B Loan. This new debt must be fully subordinated and on financial and intercreditor terms no less favourable to the Issuer than the B Loan or on such terms such that the Borrower Security Trustee is satisfied will not adversely affect the then current ratings of the Notes.

#### *Payment of Interest and Repayment of Principal*

Interest in respect of each of the A Facilities will be payable during the term of the Issuer/Borrower Loan Agreement on each Interest Payment Date commencing with the Interest Payment Date falling in October 2006. The Issuer/Borrower Loan Agreement contains provisions for determining the amount of interest payable on each Interest Payment Date in respect of each of the A Facilities. Interest on the A Facilities will accrue at floating rates. The Borrower will undertake to enter into Swap Transactions with respect to interest payable under the Issuer/Borrower Loan Agreement. Please see "*The Swap Agreements*" below for further detail.

The Borrower will pay to the Issuer on each Interest Payment Date a fee of 0.01 per cent. per annum of the aggregate amount of interest receivable by the Issuer under the Issuer/Borrower Loans and, on the date they fall due, an amount equal to such amounts as are then necessary to enable the Issuer to pay or provide for all amounts (other than any payments of interest on, and repayments of principal in respect of the Notes) falling due, in accordance with the terms of the Issuer Transaction Documents, to be paid by the Issuer on such date.

All payments due under the Issuer/Borrower Loan Agreement will be made free and clear of, and without withholding or deduction for, any tax unless such withholding or deduction is required by law. If any such withholding or deduction is so required, the amount of the payment due to the Issuer will be increased to the extent necessary to ensure that, after any withholding or deduction has been made, the amount received by the Issuer is equal to the amount that it would have received had that withholding or deduction not been required to be made.

Each Issuer/Borrower Loan is repayable in full on the Interest Payment Date falling in October 2013.

#### ***Prepayment of the Issuer/Borrower Loans***

Any principal prepaid by a Propco under the Intra-Group Loan Agreement will be applied by the Borrower in or towards prepayment of the Issuer/Borrower Loans in accordance with the terms of the Issuer/Borrower Loan Agreement and the Intercreditor Agreement.

The Borrower is obliged (on giving not less than 10 Business Days' notice to the Borrower Security Trustee) to make a prepayment of principal under the Issuer/Borrower Loan Agreement (subject to the terms of the Intercreditor Agreement) on a *pro rata* basis across the A Facilities in the following circumstances:

- (a) if a Propco makes a disposal of a Property (as permitted under the Issuer/Borrower Loan Agreement) or a Propco owning a Property is sold and either:
  - (i) that Property or Propco is not substituted with an additional property (or additional propco holding an additional property) or is substituted with an additional property of a lower value (or an additional propco that holds property of a lower value), each in accordance with the conditions set out in the Issuer/Borrower Loan Agreement relating to substitutions (see further "*Substitution, disposal and alterations of Properties*" below); or
  - (ii) the Borrower warehouses the proceeds of that disposal by paying them into the Cash Collateral Account, but does not use those proceeds (or does not use those proceeds in full) to finance the acquisition of an additional property by no later than the fourth Interest Payment Date following the disposal in accordance with the conditions set out in the Issuer/Borrower Loan Agreement;
- (b) if the Borrower Security Trustee so requires, if any insurance proceeds are received and, among other things, the basis of settlement under any insurances held by the relevant Propco or the relevant Occupational Lease or agreement to grant an Occupational Lease of all or part of a Property (each, a **Lease Document**) does not require that those insurance proceeds received in respect of a Property be applied towards (or it is not commercially reasonable to apply those insurance proceeds towards) replacing, restoring or reinstating that Property; or
- (c) if it receives any other repayment or prepayment from a Propco under the Intra-Group Loan Agreement (in an amount equal to such other repayment or prepayment).

All prepayments in accordance with **paragraphs (a) to (c)** above will be deposited into the Cash Collateral Account pending application on the next Interest Payment Date. In the event of a disposal, all proceeds from that disposal are either warehoused in the Cash Collateral Account (for up to 12 months) pending acquisition of a suitable substitute property or they are



applied pro rata between the allocated Issuer/Borrower Loans and B Loan amount for that Property as a prepayment. The allocated loan amounts (the **Allocated Loan Amounts**) for each Property are approximately 57.7 per cent. for the Issuer/Borrower Loans and a combined Issuer/Borrower Loan + B Loan percentage of 86.5 per cent. of the value of each Property (as determined by the Initial Valuation).

The Borrower must prepay or repay the required amounts of the Issuer/Borrower Loans if, under the terms of the Notes, the Issuer elects or is required to redeem any Notes.

On receipt of any prepayment of the A Facilities the Issuer will be obliged to redeem the Class A Notes, the Class B Notes and the Class C Notes *pro rata* in an amount corresponding to the amount of principal received in prepayment of the A1 Facility, the A2 Facility and the A3 Facility (see **Condition 7.3**).

Subject to the Intercreditor Agreement, in addition to the mandatory prepayment requirements described above, the Borrower may voluntarily prepay the Issuer/Borrower Loan Agreement (in an order as determined by the Borrower) in whole or part on any Interest Payment Date provided that it gives not less than 10 Business Days' prior written notice to the Issuer. Any amounts voluntarily prepaid will be applied across the A Facilities at the discretion of the Borrower. Any prepayments from amounts standing to the credit of the Emperor House Escrow Account will be applied in prepayment of the B Loan.

#### ***Bank Accounts***

The Borrower will undertake in the Issuer/Borrower Loan Agreement to maintain a rent account (the **Rent Account**) in its name into which it must ensure all Net Rental Income due to each Propco is paid. To the extent Rental Income is paid into the Rent Account and if the Borrower so requests, the Borrower Security Trustee may authorise the transfer of amounts equal to any Key Expenses into the General Account. The Borrower Security Trustee (and the Cash Manager acting on its behalf) will have sole signing rights in relation to the Rent Account and will be authorised by each Obligor to withdraw necessary amounts from the Rent Account to meet amounts due under the headleases and prior to each Interest Payment Date, transfer amounts standing to the credit of the Rent Account to, subject to the satisfaction of certain conditions, the Borrower Transaction Account and apply them in accordance with the Intercreditor Agreement (see "*The Intercreditor Agreement*").

The **Net Rental Income** will be the Rental Income less Key Expenses.

The **Key Expenses** are those amounts payable to an Obligor by any tenant under any Lease Document or any other occupier of a Property by way of contribution to insurance premiums, the cost of an insurance valuation, a service charge in respect of an Obligor's costs under any repairing or similar obligation or in providing services to a tenant of, or with respect to, a Property, a sinking fund or value added tax.

The Propcos and the Borrower will also undertake in the Issuer/Borrower Loan Agreement to maintain a cash collateral account (the **Cash Collateral Account**) in the name of the Borrower Security Trustee into which all amounts received or receivable by the Propcos or the Borrower: (i) on a disposal of any Property, (ii) on receipt of any proceeds of insurance, or (iii) on receipt of any other payments made to the Borrower under the Intra-Group Loan Agreement will be deposited in accordance with certain of the provisions of the Issuer/Borrower Loan Agreement relating to mandatory prepayment, voluntary prepayment and disposals of property. In addition, amounts paid by the Borrower to cure a breach of the Interest Cover covenant (to the extent the Borrower is permitted to do so) and (until the next

Interest Payment Date) paid by the Borrower in voluntary prepayment, will also be deposited to the Cash Collateral Account.

The Borrower will also undertake in the Issuer/Borrower Loan Agreement to maintain an escrow account (the **Emperor House Escrow Account**) in the name of the Borrower Security Trustee into which the present value of an additional £250,000 in annual rent (discounted at the interest rate under the Intra-Group Loan Agreement) will be deposited. This amount represents the amount that it is contended by the relevant Propco should be paid as additional rent under the occupational lease in respect of a refurbishment programme that has been undertaken in respect of the Emperor House Property in the last three years. Until such time as the tenant is legally obliged to pay the additional rental amount, the Borrower Security Trustee (or the Cash Manager acting on its behalf) will be authorised to withdraw a quarterly amount of £62,500 from the Emperor House Escrow Account and pay that amount into the Borrower Transaction Account. The Borrower Security Trustee will be authorised (pursuant to the terms of the Issuer/Borrower Loan Agreement) as soon as reasonably practicable after the tenant is legally obliged to pay the additional rental amount, to transfer the present value of the additional rental payments (discounted at the interest rate under the Intra-Group Loan Agreement) from the Emperor House Escrow Account to the General Account. The balance remaining after such transfer will be applied in prepayment of the B Loan.

Each of the Obligor Accounts is subject to a security interest, which is expressed to create a first priority security interest created in favour of the Borrower Security Trustee pursuant to the Deed of Charge.

The Borrower and the Propcos must maintain in the name of the Borrower and the Propcos a current general account (the **General Account**) into which all amounts received or receivable by the Propcos or the Borrower that are not required to be paid into any other Account will be paid. If there is a Loan Event of Default (or potential Loan Event of Default) outstanding, the Borrower Security Trustee will be authorised by the Borrower and each of the Propcos to withdraw from and apply amounts standing to the credit of the General Account in or towards any purpose for which moneys in any other Account may be applied. If no actual or potential Loan Event of Default is outstanding, the Borrower and the Propcos may withdraw any amount from the General Account, to make dividend distributions, subordinated intra-group loans and any other payments.

The Borrower will undertake in the Issuer/Borrower Loan Agreement to maintain a borrower transaction account (the **Borrower Transaction Account** and, together with the Rent Account, the Cash Collateral Account, the Emperor House Escrow Account and the General Account, the **Obligor Accounts**) into which all amounts standing to the credit of the Rent Account will be transferred 3 days prior to each Interest Payment Date. The Borrower Transaction Account is subject to the charge created in favour of the Borrower Security Trustee pursuant to the Deed of Charge.

### ***Hedging Loans***

If on any Calculation Date the Borrower has insufficient funds to enable it to pay any amount that it is required to pay under one or more of the Issuer/Borrower Loan Swap Transactions (excluding any termination payments), then the Issuer may utilise the Liquidity Facility to make a loan to the Borrower to enable it to pay such amount (a **Hedging Loan**). A Hedging Loan will be repayable on demand on any Interest Payment Date or on or after the date the Note Trustee by notice to the Borrower cancels any outstanding commitments under the Issuer/Borrower Loan Agreement and/or demands that all or part of the Issuer/Borrower Loans together with accrued interest and all other amounts accrued under the Finance Documents become immediately due and payable and/or demands that all or part of the

Issuer/Borrower Loans become payable on demand and/or applies any monies standing to the credit of each Obligor Account in or towards repayment of any amount due to the Borrower Secured Creditors under the Finance Documents. A relevant Hedging Loan will bear interest at a rate which is calculated by reference to the cost to the Issuer of funding that Hedging Loan (by making an Income Deficiency Drawing (as defined below) under the Liquidity Facility Agreement) and will be repayable from monies standing to the credit of the Borrower Transaction Account or from the proceeds of a loan from a subordinated creditor to the Borrower on terms acceptable to the Borrower Security Trustee, or from the proceeds of repayment of any Loan made by the Borrower to any of London and Regional Group Finance Limited and/or London and Regional Properties Limited, or otherwise in accordance with the Issuer/Borrower Loan Agreement.

### ***Warranties and Undertakings***

The Issuer/Borrower Loan Agreement contains several representations, warranties and undertakings to be made by the Obligors. There follows a summary of certain warranties and undertakings to be given by the Obligors, each of which is subject to the qualifications and disclosure set out in the Issuer/Borrower Loan Agreement, certain of which will also be given by the Share Mortgagors under the Mortgage of Shares.

### ***Warranties***

No independent investigation with respect to the matters warranted in the Issuer/Borrower Loan Agreement will be made by the Issuer, the Note Trustee or the Borrower Security Trustee, other than searches made on or about the Closing Date against the Obligors in the relevant file held, in respect of the Obligors and the Share Mortgagors at the Companies Registry, with the Accountant in Bankruptcy in Scotland and an oral enquiry made to the Central Registry of Winding-Up Petitions and searches against the Properties at H.M. Land Registry and the Registers of Scotland. Apart from such searches, in relation to such matters, the Issuer, the Note Trustee and the Borrower Security Trustee will rely entirely on the warranties to be given by the Obligors and the Share Mortgagors in the Issuer/Borrower Loan Agreement and the Mortgage of Shares (as applicable).

These will include warranties all of which will be given by the Obligors and certain of which will also be given by the Share Mortgagors, each subject to grace periods and certain materiality thresholds, including as to the following:

- (a) Obligors having the necessary power and authority to enter into the Transaction Documents;
- (b) no Loan Event of Default or potential Loan Event of Default having occurred;
- (c) the basis of preparation of financial statements;
- (d) no litigation, arbitration or administrative proceedings likely to have a Material Adverse Effect;
- (e) on and from the Closing Date, the Propcos (as applicable) being the sole legal and beneficial owner of their interest in each Property and having good and marketable title to that interest;
- (f) the Obligors' solvency;
- (g) no conflict with applicable laws and regulations;

- (h) those obligors defined as New Obligor in the Issuer/Borrower Loan Agreement not having carried on any business or engaged in any activities other than as described in the Transaction Documents;
- (i) those Obligor not defined as New Obligor in the Issuer/Borrower Loan Agreement not having any material contingent liabilities except as disclosed;
- (j) on and from the Closing Date, any security granted by the Obligor or the Share Mortgagors (as applicable) under or pursuant to the Deed of Charge or the Mortgages of Shares constitutes a security interest of the type described therein over the assets that are the subject of the Deed of Charge or the Mortgages of Shares and those assets are not subject to any prior *pari passu* security interest;
- (k) all written information supplied by it or on its behalf to the Issuer, the Borrower Security Trustee, the Valuers and the lawyers who prepared the Report on Title in connection with the Transaction Documents, the Valuation and the Report on Title (as applicable) was true and accurate as at its date; and
- (l) (only on the Closing Date) the Borrower not being required to make any deduction or withholding in respect of tax from any payment under the Borrower Transaction Documents.

For the purposes of the Issuer/Borrower Loan Agreement, the term **New Obligor** means each Obligor other than LR (South Eastern) Limited, LR Estates Limited, Bayford Properties Limited, Cornice Properties Limited, LR Investments Limited, LR (Cardiff) Limited and Marshet Limited.

For the purpose of the Issuer/Borrower Loan Agreement, **Material Adverse Effect** will be any material adverse effect on:

- (i) the ability of an Obligor to perform its payment obligations under any Finance Document or comply with its Interest Cover covenant under the Issuer/Borrower Loan Agreement; or
- (ii) the validity or enforceability of any Finance Document.

### ***Undertakings***

The Borrower and the Propcos will undertake not to dispose of any of their assets (and will procure that no Share Mortgagor disposes of its shares in a Propco) except as permitted under the Issuer/Borrower Loan Agreement, the B Loan Agreement and (if applicable) the Mortgage of Shares. Additional undertakings will include, *inter alia*, the application of compulsory acquisition proceeds, compliance with the detailed procedure in relation to substitution and disposal of Properties, subject to agreed thresholds, no material amendment, waiver or surrender of any Lease Document, procuring that insurance is maintained in relation to certain of the Properties, the provision of information and accounts, notification of default, provision of compliance certificates, maintenance of Interest Cover at 110 per cent. (subject to the right of the Borrower to cure a breach by voluntarily prepaying a part of the Issuer/Borrower Loans or by placing an amount on deposit in the Cash Collateral Account that is treated as Net Rental Income for the purposes of one Interest Cover calculation only in any four Interest Periods), maintenance of authorisations and consents, ranking of liabilities, compliance with environmental law and approvals, a negative pledge (subject to agreed exceptions) and restrictions on transactions similar to security, change of business, mergers and acquisitions (subject to agreed exceptions), lending and borrowing (subject to agreed

exceptions), entering into other contracts (subject to agreed exceptions), issuance of shares or declaration of dividends (subject to agreed exceptions), granting new Occupational Leases or subleases (subject to agreed exceptions) and will not include any undertaking to maintain a particular loan to value ratio. Certain of these undertakings are subject to grace periods, reasonableness or materiality thresholds.

The **Interest Cover** is Actual Interest Cover and Projected Interest Cover.

The **Actual Interest Cover** is, as at each Calculation Date, quarterly rental expressed as a percentage of quarterly finance costs, in each case as at that Calculation Date. For the purposes of this definition:

- (a) **quarterly finance costs** means in respect of any Calculation Date, the aggregate amount payable to the Issuer under the Issuer/Borrower Loan Agreement (other than the principal repayment amounts of the Issuer/Borrower Loans) during the quarterly period ending on the related Calculation Date (or, in the case of a Calculation Date falling three Business Days before an Interest Payment Date, during the quarterly period ending on that Interest Payment Date);
- (b) **quarterly rental** means in respect of any Calculation Date the passing Net Rental Income received by the Propcos (and paid to the Borrower under the Intra-Group Loan Agreement) less the fees referred to in section "*Summary of Principal Documents – Property Management Agreement*" payable by the Propcos in each case since the quarterly period ending on the related Calculation Date (or, in the case of a Calculation Date falling three Business Days before an Interest Payment Date, during the quarterly period ending on that Interest Payment Date); and
- (c) in determining quarterly rental, the Cash Manager will exclude:
  - (i) any Rental Income attributable to any Occupational Lease granted to or vested in the Borrower or any affiliate of the Borrower;
  - (ii) any amounts or shortfall a Propco is obliged to discharge in respect of any part of its Property available for letting due to it being unlet; and
  - (iii) any rent or other monies payable in respect of any Headlease; and
  - (iv) any amounts (together with any related value added or similar taxes) of service charges with respect to each Property to the extent not fully funded by the tenants under the Lease Documents.

The **Projected Interest Cover** is, as at a Calculation Date, projected rental expressed as a percentage of projected finance costs. Where:

- (a) **projected finance costs** on the Calculation Date means the Cash Manager's estimate of the aggregate amount payable by the Borrower to the Issuer under the Issuer/Borrower Loan Agreement (other than the principal repayment amounts of the Issuer/Borrower Loans) during each quarterly period ending on the fourth Interest Payment Date following the Calculation Date (or, in the case of a Calculation Date falling three Business Days before an Interest Payment Date, during each quarterly period ending on the four Interest Payment Dates following that Interest Payment Date); and

- (b) **projected rental** on the Calculation Date means the Cash Manager's estimate of the aggregate Net Rental Income that will be received by the Propcos (and paid to the Borrower under the Intra-Group Loan Agreement) less the aggregate fees referred to in section "*Summary of Principal Documents – Property Management Agreement*" payable by the Propcos, in each case during each quarterly period ending on the four Interest Payment Dates following the Calculation Date (or, in the case of a Calculation Date falling three Business Days before an Interest Payment Date, during each quarterly period ending on the four Interest Payment Dates following that Interest Payment Date). For the purposes of making this estimate:
- (i) the Cash Manager will assume that a break clause under any Lease Document will be deemed to be exercised at the earliest date available to the relevant tenant unless:
    - (A) a new Lease Document has been entered into to take effect on the expiry of the notice period for exercise of the relevant break clause upon the same or better rental terms (as determined by the Borrower Security Trustee); or
    - (B) confirmation in form satisfactory to the Borrower Security Trustee (acting reasonably) is received that the break clause will not be exercised;
  - (ii) Net Rental Income will be ignored unless payable under an unconditional and binding Lease Document;
  - (iii) potential Net Rental Income increases as a result of rent reviews will be ignored other than where there are fixed rental increases under the relevant Lease Documents;
  - (iv) Net Rental Income payable by a tenant that is in arrears on its rental payments on the Calculation Date will be ignored;
  - (v) Net Rental Income will be reduced by the amounts (together with any related value added or similar taxes) of ground rent, rates, service charges, insurance premia, maintenance and other outgoings with respect to each Property to the extent that any of those items are not fully funded by the tenants under the Lease Documents; and
  - (vi) any Rental Income attributable to any Occupational Lease granted to or vested in the Borrower or any affiliate of the Borrower will be ignored.

**Calculation Date** means, as the expression is used in the Issuer/Borrower Loan Agreement, (i) the relevant Utilisation Date, (ii) the date three Business Days prior to each Interest Payment Date (in the case of which the relevant calculations are calculated as at that Interest Payment Date) and (iii) in the case of a disposal (as described in the section "*Substitution, Disposal and Alterations of Properties*"), the date of the relevant disposal.

### **Insurance**

The Propcos shall procure that insurance is maintained in respect of the Properties for their full replacement value (i) for all normally insurable risks of loss or damage, (ii) for site clearance and professional fees (with allowance for inflation), (iii) against acts of sabotage and terrorism (to the extent available on commercially reasonable terms in the United

Kingdom or European market) and (iv) a three year loss of rent. The Obligors must also have property owners liability insurance and such other insurances that a reasonable and prudent property owner of similar properties would accept. All insurances must be in a form acceptable to the Issuer and the Borrower Security Trustee (acting reasonably). All new insurance must be with insurance companies or underwriters rated at least A and A2 by Fitch and Moody's respectively to the extent insurance is taken out by an Obligor after the Closing Date. In relation to existing insurance, the required rating is the respective rating of the existing insurance providers as they are rated at the Closing Date.

The Obligors will procure that all such insurances name the Borrower Security Trustee as co-insured and loss-payee (other than any public or third party liability insurance).

#### ***Relationship between Issuer/Borrower Loan Agreement and the Notes***

The occurrence of a Loan Event of Default will not automatically constitute a Note Event of Default (as defined in **Condition 11**) under the Notes. However, the occurrence of a Note Event of Default will automatically constitute a Loan Event of Default.

#### ***Security for the Issuer/Borrower Loan Agreement***

The Issuer/Borrower Loan Agreement is secured over the assets, property and undertakings of the Borrower and each Propco and each Share Mortgagor's shares in each Propco, the Issuer and the Borrower, respectively, as described in "*The Deed of Charge*" and "*The Mortgage of Shares*" below.

#### ***Events of Default***

The Issuer/Borrower Loan Agreement contains a number of events of default (each, a **Loan Event of Default**) which fall into two main categories, namely those which are unqualified (such as events of default for non-payment or insolvency of an Obligor) and those which, to constitute an event of default, must have a Material Adverse Effect. It is an event of default under the Issuer/Borrower Loan Agreement for the Borrower to allow the Interest Cover to fall below 110 per cent. The Borrower may cure a breach of the Interest Cover covenant by either making a prepayment of the Issuer/Borrower Loans and B Loan or depositing an amount in the Cash Collateral Account within 3 days of the breach. This may be done once every four successive interest periods.

The occurrence of a Loan Event of Default will, upon notice being given by the Borrower Security Trustee, result in the floating charge granted by the Obligors and contained in the Deed of Charge crystallising so as to become a fixed charge.

The Issuer/Borrower Loan Agreement will be governed by English law.

## **2. B LOAN AGREEMENT**

The B Loan Agreement will be made between, *inter alios*, the Borrower, the Propcos, the Borrower Security Trustee, the Swap Counterparty and the B Lender on or about the Closing Date. Under the terms of the B Loan Agreement, the B Lender will advance to the Borrower, on or about the Closing Date, an amount of £128,080,000 (the **B Loan**), in four tranches, a Junior A1 tranche in an aggregate principal amount of £32,680,000 (the **Junior A1 Facility**), a Junior A2 tranche in an aggregate principal amount of £33,280,000 (the **Junior A2 Facility**), a Junior B1 tranche in an aggregate principal amount of £33,280,000 (the **Junior B1 Facility**) and a Junior B2 tranche in an aggregate principal amount of £28,840,000 (the **Junior B2 Facility**) and together with the Junior A1 Facility, the Junior A2 Facility and the

Junior B1 Facility, the **Junior Facilities**). The B Loan will be used by the Borrower to make advances to the Propcos under the Intra-Group Loan Agreement.

The B Loan Agreement contains provisions for determining the amount of interest payable on each Interest Payment Date in respect of each of the Junior Facilities. Interest on the Junior Facilities will accrue at floating rates. Prior to any Loan Event of Default and after all transaction expenses and other senior ranking expenses have been paid and interest has been paid on the A Facilities and each Junior Facility, any excess amounts credited to the Borrower Transaction Account will be applied first (i) in repayment of amounts under the Junior B2 Facility; then (ii) to the extent there are no amounts outstanding under the Junior B2 Facility, to repay amounts due under the Junior B1 Facility; then (iii) to the extent there are no amounts outstanding under the Junior B1 Facility, to repay amounts due under the Junior A2 Facility; then (iv) to the extent there are no amounts outstanding under the Junior A2 Facility, to repay amounts due under the Junior A1 Facility.

The B Loan Agreement will reflect substantially the same terms as disclosed under "*The Issuer/Borrower Loan Agreement*", save as provided above.

The B Loan Agreement will be governed by English law.

### **3. THE INTRA-GROUP LOAN AGREEMENT**

The Intra-Group Loan Agreement will be made between, *inter alios*, the Borrower, the Propcos and the Borrower Security Trustee on or about the Closing Date. The Intra-Group Loan will be used by the Propcos to finance or refinance their indebtedness incurred in connection with the acquisition of the Properties, following which any remaining surplus funds may be on-lent or otherwise distributed to London and Regional Group Finance Limited and/or London & Regional Properties Limited in accordance with the Finance Documents.

Under the terms of the Intra-Group Loan Agreement, the Borrower will advance to the Propcos, on or about the Closing Date, an aggregate amount of £384,080,000. Interest owing on the loans made available pursuant to the Intra-Group Loan Agreement will accrue interest at a fixed rate.

On or about the Closing Date the Borrower will also make an additional payment under the Intra-Group Loan Agreement to the Propcos, which will be applied to make payments to the Swap Counterparty in respect of the novation of existing interest rate swap transactions. To reflect this payment, the fixed rate of interest payable under the Intra-Group Loan Agreement is higher than it would otherwise have been.

The Intra-Group Loan Agreement will provide that all amounts owing by the Borrower or the Propcos under the Issuer/Borrower Loan Agreement (other than interest) will be paid to the Borrower under the Intra-Group Loan Agreement to be applied in accordance with the other Borrower Transaction Documents.

The Intra-Group Loan Agreement will be governed by English law.

### **4. THE INTERCREDITOR AGREEMENT**

The Intercreditor Agreement will be made between, *inter alios*, the Issuer, the B Lender, the Borrower Security Trustee, the Swap Counterparty, each Obligor and each Share Mortgagor and will, *inter alia*, govern the relationship between the Issuer as lender under the



Issuer/Borrower Loan Agreement and the B Lender under the B Loan Agreement. Both the Issuer/Borrower Loans and the B Loan will be secured equally by the Borrower Security.

The Intercreditor Agreement will contain waterfalls setting out the priority of payments prior to and following the occurrence of a payment Loan Event of Default (other than a payment Loan Event of Default caused by the blocking of an account in consequence of any other Loan Event of Default) or an insolvency Loan Event of Default (relating to actual, rather than potential, insolvency events) (in each case, a **Material Senior Default**).

Following a Material Senior Default, all amounts received from the Borrower and the proceeds of enforcement of any security will be applied against the unpaid fees, costs and expenses of the administrative parties (including any receiver), fees, costs and expenses of the Issuer (and to the extent incurred in taking action requested by the Borrower Security Trustee) the B Lender (in each case in connection with any enforcement), amounts due to the Property Manager (other than deferred management fees), other fees, costs and expenses of the Issuer, amounts due to the Swap Counterparty, and amounts due in respect of Hedging Loans. Any amount remaining after making the above disbursements will then be applied against the Issuer/Borrower Loans, and then against the B Loan.

The Intercreditor Agreement includes provisions relating to holding amounts that would have been paid to the B Lender in escrow following a Material Senior Default, but before the taking of any relevant enforcement action and provisions relating to the release of such amounts under certain circumstances.

Any increase in the amount of the debt under the Issuer/Borrower Loan Agreement beyond the initial amount will rank behind the debt under the B Loan Agreement.

At any time after the occurrence of a payment event of default (other than a payment event of default caused by the blocking of an account in consequence of another event of default) or insolvency default under the B Loan Agreement or at any time after any enforcement action has been taken, the B Lender may elect to acquire the Issuer/Borrower Loans (including a transfer of any hedging arrangements) at par plus accrued interest plus costs (excluding default interest (to the extent that the same is recoverable from the Borrower and has been received by the Issuer), but excluding prepayment premiums or fees).

Upon the occurrence of any Loan Event of Default or certain potential Loan Events of Default or any actual or potential event of default under the B Loan Agreement (other than certain Loan Event of Defaults or events of default under the B Loan Agreement relating to insolvency) which is remediable within the relevant grace period (a **Remediable Default**) (prior to the earlier of (i) the taking of any enforcement action in respect of the Remediable Default or (ii) written notice from the Borrower Security Trustee that the B Lender's cure right has ceased), the B Lender may remedy such Remediable Default within the following grace periods (which commence upon delivery of a notification of a Remediable Default to the B Lender, such notice to be served by the Borrower Security Trustee within an agreed timeframe):

- (i) payment Remediable Default: three Business Days after the expiry of any applicable grace period for the Borrower to remedy that payment Remediable Default; and
- (ii) all other Remediable Defaults: the later of (i) 25 Business Days and (ii) three Business Days after the expiry of any applicable grace period for the Borrower to remedy that Remediable Default,

and the Borrower Security Trustee will delay taking any enforcement action during such grace period.

There will be a limit on the number of times that a payment Remediable Default or Interest Cover Remediable Default can be cured, so that the cure right in respect of such Remediable Defaults may not be exercised more than twice in any one 12 month period and no more than four times during the term of the Issuer/Borrower Loan Agreement. There will be no limit on curing other Remediable Defaults. Any payments made by the B Lender in exercising cure rights will rank behind the Issuer/Borrower Loans but ahead of the B Loan following a Material Senior Default, unless an Obligor pays an amount in full or partial settlement of the cure payments, in which case such a payment will be paid to the B Lender.

Subject to certain exceptions set out in the Intercreditor Agreement (including changes to dates or amounts of payments, interest payable, releases of Obligors or security or the priority of payments, changes to financial or information covenants, waiver of default interest, creation of further security, reduction in release price, incurring additional debt), the Borrower Security Trustee may amend or waive a term of, or give any consent under, any Finance Document.

The B Lender will have no right to accelerate or take enforcement action unless: (i) the relevant Loan Event of Default is still outstanding at the end of a 90 day period (for a payment Loan Event of Default), a 120 day period (for a Loan Event of Default relating to Interest Cover) or 150 days (for any other Loan Event of Default); or (ii) payment of the Issuer/Borrower Loans has been accelerated and, in each case, the market value of the Property is greater than 120 per cent of the Issuer/Borrower Loans (determined by reference to the most recent Valuation).

#### ***Excess spread***

Prior to the occurrence of a Material Senior Default, on each Interest Payment Date, amounts credited to the Borrower Transaction Account and which are not necessary to pay transaction expenses and amounts owed by the Obligors under the Issuer/Borrower Loan Agreement will be used, after payment in full of prior ranking amounts, to repay amounts due in relation to the Junior B2 Facility under the B Loan Agreement, and to the extent there are no amounts outstanding in relation to the Junior B2 Facility, to repay amounts due in relation to the Junior B1 Facility under the B Loan Agreement, and to the extent there are no amounts outstanding in relation to the Junior B1 Facility, to repay amounts due in relation to the Junior A2 Facility under the B Loan Agreement, and to the extent there are no amounts outstanding in relation to the Junior A2 Facility, to repay amounts due in relation to the Junior A1 Facility under the B Loan Agreement. All prepayments (including from the proceeds of insurance and disposals permitted under the Finance Documents) will be applied *pro rata* across the Issuer/Borrower Loans and B Loan other than (a) voluntary prepayments which shall be applied at the discretion of the Borrower and (b) prepayments from amounts standing to the credit of the Emperor House Escrow Account, which shall be applied against the Junior B2 Facility, Junior B1 Facility, Junior A2 Facility and Junior A1 Facility (in the same manner as provided above).

Each Obligor will be a party to the Intercreditor Agreement to acknowledge its terms and give undertakings in respect of the priority of payments described above.

The Intercreditor Agreement will include terms relating to the cooperation by the Borrower Security Trustee and the B Lender to, among other things, facilitate the rating of any Issuer interest in the Finance Documents by the Rating Agencies (at the cost of the Issuer) or facilitate the syndication of the Issuer/Borrower Loans.

The Intercreditor Agreement will be governed by English law.

## 5. THE SECURITY AGREEMENTS

### *The Deed of Charge*

To secure the obligations of each Obligor under the Finance Documents, the Borrower and each Propco will on and from the Closing Date grant security over its assets and undertakings pursuant to the Deed of Charge and (in relation to the Scottish Properties) the Standard Securities and Scottish Rental Assignations. The Deed of Charge and (in relation to the Scottish Properties) the Standard Securities and Scottish Rental Assignations are expressed to create the following security (the **Borrower Security** and, together with the Share Mortgagor's Security (as defined below), the **Obligor Security**) over the assets of the Borrower and each Propco in favour of the Borrower Security Trustee on trust for itself and the Issuer, the B Lender, the Cash Manager, the Account Bank and the Swap Counterparty (the **Borrower Secured Creditors**) over all of its properties, assets and undertakings:

- (a) first priority charges, mortgages or, as the case may be, assignments by way of security of or over, *inter alia*: (i) any amount standing to the credit of its Obligor Account, or any other accounts (except for the General Account); (ii) its rights to all Rental Income and its rights under each Lease Document (other than Rental Income payable in respect of the Scottish Properties), any guarantee of Rental Income contained in or relating to any Lease Document, each appointment of a Property Manager, any purchase agreement for a Property by it, any Swap Agreement, the Cash Management Agreement, the Property Management Agreement, the Tax Deed of Covenant, the Account Bank Agreement, the Intra-Group Loan Agreement, the Intra-Group Subordinated Loan Agreement and under all agreements specified by the Borrower Security Trustee to which it is a party; (iii) all estates or interest in the Properties (other than the Scottish Properties) or any other freehold or leasehold property it holds (other than any such property in Scotland); (iv) all its interests in shares, stocks, debentures, bonds or other securities and investments; (v) all plant and machinery owned by it; (vi) its book and other debts and all moneys owing to it; and (vii) all of its rights under any contract or policy of insurance taken out by it; and
- (b) a first ranking standard security in respect of each Scottish Property and an assignation in security in respect of the Rental Income payable under each Occupational Lease of each Scottish Property; and
- (c) a floating charge over all of the assets and undertakings of the Borrower and each Propco, including the General Account.

The **Rental Income** means the aggregate of all amounts paid or payable to or for the account of any Obligor in connection with the letting of any part of a Property.

### *The Mortgage of Shares*

To secure the obligations of each Obligor under the Finance Documents and certain obligations of London & Regional Group Holdings Limited under the Tax Deed of Covenant, each Share Mortgagor will on and from the Closing Date grant to the Borrower Security Trustee on trust for the Borrower Secured Creditors pursuant to the Mortgage of Shares security, by way of first legal mortgage or (as applicable) fixed security by way of pledge over all shares in the Borrower or any Propco (as applicable) owned by it (the **Share Mortgagor's Security**).

Each Share Mortgagor will further secure its obligations under the Finance Documents by executing and depositing with the Borrower Security Trustee (except in relation to the Scottish Propcos) all share certificates and transfer documents required to enable the Borrower Security Trustee to become the registered owner of the secured shares if so required.

In order to perfect the fixed security created pursuant to the Mortgage of Shares in respect of the shares in the Scottish Propcos under Scots law, a transfer of the shares in each Scottish Propco will, on or following the Closing Date, need to be registered in the register of members of the relevant Scottish Propco in the name of the Borrower Security Trustee (or its nominee) (see further "*Risk Factors – Enforcement of the Obligor Security*" above).

The recourse of the Borrower Secured Creditors to the Share Mortgagors will be limited to amounts recoverable from a disposal of the shares and related rights.

The Mortgage of Shares will also contain a number of representations, covenants and undertakings from the Share Mortgagors including an undertaking in connection with the disposal of the relevant shares in the Propcos in accordance with the terms of the Finance Documents (see further "*Substitution, Disposal and Alterations of Properties*" below).

Upon the delivery of a notice to the Borrower by the Issuer or the Borrower Security Trustee, declaring all or part of any amounts outstanding under the Finance Documents due and payable and/or payable on demand by the Issuer (and in the case of the Mortgage of Shares, certain other events in respect of the Share Mortgagors), pursuant to the terms of the Issuer/Borrower Loan Agreement, all payments under or arising from the Finance Documents will be required to be made to the Borrower Security Trustee or to its order. The proceeds of enforcement of the security constituted pursuant to the Borrower Security Documents will be applied in accordance with the Intercreditor Agreement.

The Note Trustee, as holder of the assigned rights under the Issuer Deed of Charge, will hold the benefit of the Issuer's interest in the security held by the Borrower Security Trustee in the Issuer's favour under the Borrower Security Documents on trust for the benefit of itself and the other Issuer Secured Creditors upon and subject to the terms of the Issuer Deed of Charge (see below under "*The Issuer Deed of Charge*"). All proceeds of realisation of the security received by the Note Trustee and the Borrower Security Trustee will be applied in the manner described under "*Available funds and their priority of application*" below.

The Deed of Charge and the Mortgage of Shares will be governed by English law, except for certain provisions expressed to be governed by Scots law. The Standard Securities and Scottish Rental Assignations will be governed by Scots law.

## **6. INTRA-GROUP SUBORDINATED LOAN AGREEMENT**

Under the Intra-Group Subordinated Loan Agreement each Propco undertakes to each other Propco to make an advance if required by the other Propco to such Propco. The Intra-Group Subordinated Loan Agreement will be available for a Propco to make a drawing on an Interest Payment Date. The facility can be used in all circumstances and will be uncommitted. All Intra-Group Propco Loans made under this Agreement are unsecured subordinated obligations of the borrowing Propco.

The Intra-Group Subordinated Loan Agreement will be governed by English law.

## 7. THE ISSUER DEED OF CHARGE

The Issuer Deed of Charge will be entered into between, *inter alios*, the Note Trustee and the Issuer.

The Issuer Deed of Charge is expressed to create the following security in favour of the Note Trustee on trust for itself, any Receiver and any other Appointee of the Note Trustee, the Noteholders, the Couponholders, the Paying Agents, the Agent Bank, the Liquidity Facility Provider, the Cash Manager, the Account Bank and the Agent Bank (together, the **Issuer Secured Creditors**) over all of its property, assets and undertakings:

- (a) an assignment by way of first fixed security of the Issuer's right, title, interest and benefit, present and future, in, to and under the Issuer Transaction Documents (other than the Trust Deed and the Issuer Deed of Charge) and the Borrower Security Documents;
- (b) a first charge of its right, title, interest and benefit, present and future, in and to all amounts in the Issuer Accounts;
- (c) a first fixed charge over its interest in any Eligible Investments permitted to be made by it pursuant to the Cash Management Agreement (and any other investment made by it or on its behalf); and
- (d) a first ranking floating charge over the whole of its undertaking and of its property and assets not already subject to fixed security (but including all of its undertaking, property and assets situated in, or governed by the law of, Scotland).

### *Application of Funds Available to the Issuer*

The Issuer will apply the payments made by the Borrower to the Issuer under the Issuer/Borrower Loan Agreement to pay fees, costs and expenses of the Issuer, provided always that, in the event there are insufficient funds standing to the credit of the Issuer Transaction Account on any Interest Payment Date to pay all amounts due on such Interest Payment Date, such funds will be utilised in the manner more particularly set out under "*Available funds and their priority of application - Monies available to the Issuer and priority of payments*" below.

The proceeds of enforcement of the security constituted by the Issuer Deed of Charge will be applied in accordance with the order of application of payments specified in the Post-Enforcement/Pre-Acceleration Priority of Payments or the Post-Acceleration Priority of Payments (as applicable).

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

## 8. THE ACCOUNT BANK AGREEMENT

The Issuer, the Borrower, the Propcos, the Cash Manager, the Note Trustee and the Borrower Security Trustee will enter into an Account Bank Agreement (the **Account Bank Agreement**) with The Bank of New York, acting through its office at 48th Floor, One Canada Square, London E14 5AL, on or about the Closing Date in connection with the maintenance of certain banking arrangements for the Issuer, the Borrower and the Propcos and the waiver by the Account Bank of all rights of set-off in relation thereto.

Under the terms of the mandate governing each account, the Account Bank has agreed to comply with the instructions set out therein in relation to each Obligor Account and each Issuer Account.

The Account Bank has been assigned short-term credit ratings of F1+ and P-1 from Fitch and Moody's respectively and long-term credit ratings of AA- and Aa3 from Fitch and Moody's respectively.

### *The Obligor Accounts*

For further information on the Obligor Accounts, please see "*The Issuer/Borrower Loan Agreement – Bank Accounts*" above.

### *The Issuer Accounts*

The Issuer will establish a transaction account with the Account Bank (the **Issuer Transaction Account**) and, in the circumstances described in "*The Liquidity Facility Agreement*" below, will establish a stand-by account either with the Account Bank or with the Liquidity Facility Provider into which any Stand-by Loan is to be deposited. The Issuer Transaction Account and the Stand-by Account are referred to herein as the **Issuer Accounts**.

All amounts received by the Issuer under the Issuer/Borrower Loan Agreement will be paid into the Issuer Transaction Account until such time as it is invested in Eligible Investments or applied in making payments due by the Issuer on each Interest Payment Date.

Each of the Issuer Accounts will be subject to a first priority fixed security interest, created in favour of the Note Trustee pursuant to the Issuer Deed of Charge. However, following enforcement of the Notes, amounts credited to the Stand-by Account will not be available for the Issuer Secured Creditors other than the Liquidity Facility Provider and, in such circumstances, will be held on trust by the Note Trustee for the sole benefit of the Liquidity Facility Provider.

The Account Bank Agreement will be governed by English law.

## 9. THE CASH MANAGEMENT AGREEMENT

The Cash Management Agreement will be made between, *inter alios*, the Issuer, the Borrower, the Propcos, the Note Trustee, the Borrower Security Trustee and the Cash Manager on or around the Closing Date.

The Cash Management Agreement contains provisions for, *inter alia*, the transfer of amounts between the Obligor Accounts and the Issuer Accounts.

The Borrower and the Propcos may not withdraw any monies from the Obligor Accounts otherwise than in accordance with the provisions of the Issuer/Borrower Loan Agreement, the

Intra-Group Loan Agreement, the Intercreditor Agreement, the Account Bank Agreement, the Deed of Charge and the Cash Management Agreement.

The Issuer may not withdraw any money from the Issuer Accounts otherwise than in accordance with the provisions of the Account Bank Agreement, the Issuer Deed of Charge and the Cash Management Agreement and, in respect of the Stand-by Account, the Liquidity Facility Agreement.

The appointment of the Cash Manager may be terminated by the Issuer and the Obligors (acting jointly) with the written approval of the Borrower Security Trustee and the Note Trustee (acting jointly) or (following a Loan Acceleration Notice or a Note Acceleration Notice) by the Note Trustee and the Borrower Security Trustee (acting jointly) or following the occurrence of certain events including a failure by the Cash Manager to perform its duties under the Cash Management Agreement or an insolvency related event in relation to the Cash Manager. However, the appointment of the Cash Manager shall not be terminated until a replacement cash manager has been appointed.

The Borrower, the Propcos and the Issuer (acting jointly) shall appoint a replacement Cash Manager approved by the Note Trustee and the Borrower Security Trustee (acting jointly) in the event that the appointment of the Cash Manager is terminated.

Pursuant to the Cash Management Agreement, the Cash Manager has agreed that it will undertake the day-to-day cash management requirements of the Issuer, the Borrower and the Propcos.

The Cash Manager will, acting as agent of the Issuer, the Borrower and the Propcos, arrange for payments to be made to and from the Obligor Accounts and the Issuer Accounts in accordance with the Transaction Documents and invest monies standing to the credit from time to time of the Obligor Accounts and the Issuer Transaction Account in Eligible Investments.

### ***Eligible Investments***

Pursuant to the Cash Management Agreement, amounts held in the Issuer Transaction Account and the Obligor Accounts may be invested from time to time in Eligible Investments at the direction of the Cash Manager.

#### **Eligible Investments are:**

- (a) sterling gilt-edged securities; and
- (b) sterling demand or time deposits, certificates of deposit and short term debt obligations (including commercial paper) (which may include deposits in any account which earns a rate of interest related to LIBOR), provided that in all cases (i) such investments have a maturity date falling no later than the next following Interest Payment Date and (ii) 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 an authorised bank under the Financial Services and Markets Act 2000) (as amended from time to time) are rated at least equal to P-1 by Moody's and F1 by Fitch or such other credit ratings as may be approved by the Rating Agencies from time to time;

The Issuer, the Borrower and the Propcos will each pay to the Cash Manager an agreed annual fee (inclusive of VAT). Payment of the Cash Manager's fee by the Issuer ranks senior to payments to the Noteholders.

The Cash Management Agreement will be governed by English law.

## 10. PROPERTY MANAGEMENT AGREEMENT

On or about the Closing Date, each of London & Regional Properties Limited, the Propcos (as applicable) and the Borrower Security Trustee will enter into the Property Management Agreement pursuant to which London & Regional Properties Limited will be appointed as property manager in relation to the Properties (the **Property Manager**).

The Property Manager will be responsible for, *inter alia*, (a) the collection of rent on behalf of the Propcos, (b), the payment and administration of all third party Property costs and expenses (including the Key Expenses), (c) the procurement of operational services, including all requisite repairs and maintenance; (d) the procuring and maintenance of insurance in accordance with the Property Management Agreement and (e) assisting in relation to alterations, substitutions and disposals of Properties in accordance with the Occupational Leases and the Issuer/Borrower Loan Agreement, as applicable. The Property Manager will also provide or make available post-issuance transaction reporting information on a quarterly basis starting from the first Interest Payment Date in October 2006 at [www.lrp.co.uk](http://www.lrp.co.uk). The Property Manager's internet website does not form part of this Offering Circular.

The Property Manager has broad discretion in conducting property management services on behalf of each Propco without needing to obtain consent. However, in respect of certain matters (**Authority Matters**), the Property Manager is required to obtain the consent of the Borrower Security Trustee (as the assignee of each Propco's rights under the Property Management Agreement).

Authority Matters include (i) the sale or purchase of any Property by a Propco; (ii) incurring any capital expenditure in excess of £100,000 in any one project in respect of any one Property, (iii) incurring any capital expenditure in aggregate in excess of £100,000 in respect of any one Property in any twelve month period; (iv) incurring any capital expenditure in respect of any one Property which would exceed 10 per cent. of the original value of the Property (or, if such property is an Additional Property, the Original Property to which that Additional Property relates); and (v) variations to any Lease with rent in excess of £100,000 or such that the aggregate of the per annum value of all Leases for which variations have been effected in any calendar year, would exceed £250,000.

The appointment of the Property Manager may be terminated in certain circumstances including following a breach of certain obligations, insolvency of the Property Manager or a Loan Acceleration Notice being served. However, the appointment of the Property Manager will not be terminated until a replacement property manager has been appointed.

Security will be granted by way of assignment over each Propcos' rights under the relevant Property Management Agreement under the terms of the Deed of Charge.

The occupational tenants will be directed to pay all Rental Income into the Rent Account.

In consideration for providing asset management and property management services, the Property Manager will be entitled to payment of a fee from the Borrower on behalf of each Propco. The fee shall be 0.20 per cent. of the initial market value of the Properties being managed (the **Management Fee**). On any Interest Payment Date for so long as the Property



Manager is a member of the L&R Group, the Management Fee shall only be paid if certain loan to value tests in respect of the aggregate amount of the Issuer/Borrower Loan and the B Loan are satisfied. Payment of any unpaid Management Fee (and any interest thereon) will be deferred until the next Interest Payment Date on which such loan to value tests are satisfied.

The Property Management Agreement will be governed by English law.

## 11. THE LIQUIDITY FACILITY AGREEMENT

The Issuer will maintain, save as described below, a liquidity facility provided by a bank with the Requisite Ratings (as defined below) on terms acceptable to the Rating Agencies. The Liquidity Facility Agreement will be entered into on or about the Closing Date and is a 364-day revolving facility under which a liquidity drawing may be made on any Interest Payment Date in the circumstances further set out under "*Available funds and their priority of application*" below. All payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect of Liquidity Subordinated Amounts) will rank in priority to payments of interest and principal on the Notes. The commitment fee may be increased to reflect any increased costs of the Liquidity Facility Provider as a result of Basel II regulatory requirements but such increased amount will only be recoverable in priority to the Notes up to a maximum amount as described in the definition of Liquidity Subordinated Amounts (below).

**Liquidity Subordinated Amounts** are any amounts in respect of increased costs (including increases in the commitment fee as a result of Basel II regulatory requirements in excess of the threshold specified above), mandatory costs and tax gross up amounts payable to the Liquidity Facility Provider which exceed in aggregate 0.20 per cent. per annum of the commitment provided under the Liquidity Facility Agreement (provided that increases that are not as a result of Basel II regulatory requirements may not exceed 0.075 per cent. per annum within such 0.20 per cent. margin).

The initial aggregate principal amount available for drawing under the Liquidity Facility will be £16,250,000 (the **Liquidity Facility**).

The Liquidity Facility will furthermore automatically reduce on the Interest Payment Date after a partial redemption on the Notes in accordance with **Condition 7** (such reduction to be in a proportionately equal amount to the relevant redemption) or after confirmation by the Note Trustee that it is satisfied that the proposed reduction in the amount of the commitment will not adversely affect the then current ratings of the Notes.

The commitment made available under the Liquidity Facility Agreement will be available to be drawn (and any such drawing, an **Income Deficiency Drawing**), pursuant to the terms of the Liquidity Facility Agreement, to the extent that Available Issuer Income (as defined below, but excluding any available commitment under the Liquidity Facility Agreement) is insufficient to make the payments set out under paragraph (a) to (i) of the Pre-Enforcement Priority of Payments on the next Interest Payment Date (including, without limitation, any Hedging Loans), for as long as a Note Acceleration Notice has not been served.

The Issuer will repay each drawing under the Liquidity Facility upon each Interest Payment Date, to the extent that funds are available in accordance with the Pre-Enforcement Priority of Payments or, as applicable, the Post-Acceleration Priority of Payments. Amounts repaid may, subject to various conditions for drawing, be redrawn. At the Closing Date the Liquidity Facility Provider is Lloyds TSB Bank plc.

If:

- (a) the short-term, unsecured, unsubordinated and unguaranteed debt of any party then being the Liquidity Facility Provider ceases to be rated at least F-1 by Fitch and P-1 by Moody's so long as such Rating Agency is then rating the Notes (such ratings being the **Requisite Ratings** for the purposes hereof); or
- (b) the Liquidity Facility Provider elects not to renew the Liquidity Facility within 10 days after receipt of a request to renew the Liquidity Facility (which may be made not more than 60 and not later than 30 days prior to the end of its 364-day term),

then the Issuer shall either (i) request the Liquidity Facility Provider to advance a drawing (a **Stand-by Loan**) of the total commitment under the Liquidity Facility Agreement then available for drawing under the Liquidity Facility or (ii) replace the Liquidity Facility Provider with a party having the Requisite Ratings and which meets certain other criteria (whether by means of the novation of the Liquidity Facility Agreement or the entry into a new liquidity facility with that party).

The Stand-by Loan will generally be repayable only if the Liquidity Facility Provider is re-rated with the Requisite Ratings or a replacement liquidity facility on terms acceptable to the Rating Agencies (which could contain more restrictive conditions in relation to making drawings thereunder than the Liquidity Facility Agreement or the then expiring liquidity facility) is entered into or if and to the extent such replacement facility is no longer required in order to maintain the ratings for the Notes from the Rating Agencies.

The proceeds of the Stand-by Loan will be placed in an account of the Issuer (the **Stand-by Account**), which will, if the event leading to a Stand-by Loan corresponds to the one described in paragraph (a) above, be opened with the Account Bank. If the event leading to the Stand-by Loan corresponds to the one described in paragraph (b) above, the Stand-by Account will be opened with the Liquidity Facility Provider. The Issuer will grant security to the Note Trustee over the Stand-by Account pursuant to the Issuer Deed of Charge. However, the Note Trustee will, upon enforcement, hold the benefit of the Stand-by Account on trust for the sole benefit of the Liquidity Facility Provider. The Stand-by Account will be operated by the Issuer and the Cash Manager in accordance with the provisions of the Liquidity Facility Agreement.

Other than in respect of a Stand-by Loan (upon which interest will be calculated by reference to (i) the commitment fee that would have been payable had the Stand-by Loan not been drawn and (ii) the rate of interest actually earned on the Stand-by Account), interest will accrue on any drawing under the Liquidity Facility Agreement at the rate per annum equal to three-month sterling LIBOR plus a margin of 0.30 per cent. per annum until such drawing is repaid.

On enforcement of the Issuer Security, all indebtedness outstanding to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than the Liquidity Subordinated Amounts) will rank in priority to payments to the Issuer and, accordingly, payments under the Notes.

The Liquidity Facility Provider has been assigned short-term credit ratings of F1 + and P-1 from Fitch and Moody's, respectively and long-term credit ratings of AA+ and Aaa from Fitch and Moody's, respectively.

The Liquidity Facility Agreement will be governed by English Law.

## 12. THE SWAP AGREEMENT

On or about the Closing Date, the Borrower will become a party to one or more interest rate swap transactions (each a **Swap Transaction** and together, the **Swap Transactions**), each evidenced by a **Swap Confirmation** with the Swap Counterparty which shall be entered into pursuant to a master agreement which shall be in the form of an International Swaps and Derivatives Association, Inc (**ISDA**) 1992 Master Agreement (Multicurrency-Cross Border) (together with the Schedule thereto and all of the Swap Confirmations, the **Swap Agreement**). The purpose of such Swap Transactions (the **Issuer/Borrower Loan Swap Transactions** to the extent they relate to the Issuer/Borrower Loan Agreement, and the **B Loan Swap Transactions** to the extent they relate to the B Loan Agreement) is to mitigate certain interest rate risks borne by the Borrower in respect of its floating rate interest obligations under the Issuer/Borrower Loan Agreement and the B Loan Agreement. Under the Swap Transactions, on each Interest Payment Date, the Borrower will pay to the Swap Counterparty amounts determined by applying fixed rates to the expected principal amount of the Issuer/Borrower Loans and the B Loan, as applicable, in exchange for the Swap Counterparty paying to the Borrower amounts determined by applying floating rates (determined by reference to Sterling LIBOR) to the expected principal amount outstanding of the Issuer/Borrower Loans and the B Loan. The obligations of the Swap Provider under the Swap Agreement will be guaranteed by the Swap Guarantor.

The amounts payable by the Borrower to the Swap Counterparty under the Swap Transactions will be determined based on fixed rates that are higher than those available in the market at the Closing Date. To compensate the Borrower for these off-market rates, the Swap Counterparty will make an initial payment to the Borrower under the Swap Agreement, the amount of which will be passed to the relevant Propco through the Intra-Group Loan Agreement. On the Closing Date, the relevant Propco will apply such amount in respect of the novation by it to another party of certain existing interest rate transactions or in lending the same to other Propcos for that purpose.

The Swap Counterparty may, at its own discretion and at its own expense, transfer its rights and obligations under the Swap Agreement (including the Swap Transactions) to any third party provided the Borrower and the Borrower Security Trustee have consented to such transfer and the Rating Agencies have been given reasonable notice of such transfer and such third party has short-term, unsecured, unsubordinated debt obligations that are rated at least F1 by Fitch and at least P-1 by Moody's and has long term, unsecured, unsubordinated debt obligations that are rated at least A by Fitch, and provided further that such third party agrees to be bound by, *inter alia*, the terms of the Swap Agreement and the Swap Transactions thereunder on substantially the same terms as the Swap Counterparty it replaces.

### *Termination of Swap Transactions*

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 Counterparty is obliged to make payments under the Swap Transactions only to the extent that the Borrower makes the corresponding payments thereunder. Furthermore, a failure by the Borrower to make timely payment of amounts due from it under the Swap Agreement may constitute a default thereunder and entitle the Swap Counterparty to terminate the Swap Transaction.

The Swap Counterparty may terminate the Issuer/Borrower Loan Swap Transaction(s) in certain circumstances including (i) if the Borrower fails to pay the full amount it is required to pay on any payment date pursuant to an Issuer/Borrower Loan Swap Transaction, (ii) the

occurrence of an illegality or certain tax-related events pursuant to the Swap Agreement, (iii) to the extent that the aggregate notional amount of the Issuer/Borrower Loan Swap Transaction(s) (excluding interest rate caps or captions) entered into pursuant to the Swap Agreement exceeds the sum of £100,000 and the outstanding principal amount of all the loans made under the Issuer/Borrower Loan Agreement and/or (iv) if there is a disposal of any of the assets of the Borrower following an acceleration of any Issuer/Borrower Loan and the proceeds of such disposal are used to repay such accelerated Issuer/Borrower Loan (in such case, the Issuer/Borrower Loan Swap Transactions may only be terminated such that the notional amount applicable with respect to such transactions is reduced by an amount equal to the amount of such repayment) and/or (v) if there is a prepayment, or cancellation in part or in whole of any Issuer/Borrower Loan, as the case may be (but if such prepayment or cancellation is only in part then the relevant Issuer/Borrower Swap Transaction will only be terminated in a proportionate amount).

The Swap Counterparty may terminate the B Loan Swap Transaction(s) in certain circumstances including (i) if the Borrower fails to pay the full amount it is required to pay on any payment date pursuant to a B Loan Swap Transaction, (ii) the occurrence of an illegality or certain tax-related events pursuant to the Swap Agreement, (iii) if there is an acceleration, prepayment or cancellation (in part or in whole, but if in part the B Loan Swap Transaction(s) may only be terminated in a proportionate amount) of any B Loan and/or (iv) to the extent that the aggregate notional amount of the B Loan Swap Transaction(s) (excluding interest rate caps or captions) entered into pursuant to the Swap Agreement exceeds the sum of £100,000 and the outstanding principal amount of all the loans made under the B Loan Agreement.

If the Swap Transactions under the Swap Agreement are terminated by the Swap Counterparty, this may result in the Borrower either being required to pay a swap termination payment to, or being entitled to receive a swap termination payment from, the Swap Counterparty. If the Borrower is required to pay a swap termination payment to the Swap Counterparty then this will reduce the funds available to the Borrower for making payments it is obliged to make pursuant to the Issuer/Borrower Loan Agreement and/or the B Loan Agreement.

If the Borrower is required to make a termination payment to the Swap Counterparty in respect of a termination of a B Loan Swap Transaction following a failure to pay by the Borrower or an acceleration of a B Loan, then that payment shall be deferred until the earlier of (i) enforcement of the Issuer Security, (ii) the Final Maturity Date of the relevant Loan, (iii) the giving of a Note Acceleration Notice, (iv) the occurrence of an Event of Default under Condition 11(a) and (v) a disposal of any of the Properties.

Pursuant to the terms of the Swap Agreement, for so long as any of the Notes are outstanding, if the rating of the Swap Guarantor (in respect of its short term unsecured, unsubordinated, and unguaranteed debt obligations) falls below F1 by Fitch or P-1 by Moody's or (in respect of its long term, unsecured, unsubordinated and unguaranteed debt obligations) falls below A by Fitch, then the Swap Counterparty will be obliged, during the 30 days following the announcement of such downgrade, or possible downgrade, to do one of the following:

- (a) provide collateral in support of its obligations under the Swap Transactions; or
- (b) transfer all of its rights and obligations with respect to the Swap Transactions to a replacement third party with the required ratings; or
- (c) obtain a guarantee of its rights and obligations with respect to the Swap Transactions from a third party with the required ratings; or

- (d) take such other action as it may agree with the Rating Agencies as will result in the ratings of the Notes being maintained at, or restored to, the level they would have been at immediately prior to such downgrading.

The Swap Counterparty will be obliged to gross up payments made by it to the Borrower under the Swap Transactions if withholding taxes are imposed on such payments, although in such circumstances the Swap Transactions may be terminated early by the Swap Counterparty. The Borrower will equally be obliged to gross up payments made by it to the Swap Counterparty under the Swap Transactions if withholding taxes are imposed on such payments and the Borrower will similarly have a right to terminate the Swap Transactions in such circumstances. If either the Swap Counterparty or the Borrower terminates the Swap Transactions then the Borrower may be required to pay (or entitled to receive) a swap termination payment.

#### ***The Swap Guarantee***

The Swap Counterparty'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 Morgan Stanley & Co. International Limited 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.

#### ***The Swap Agreement Credit Support Document***

The Swap Counterparty and the Borrower have entered into a 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) (the **Swap Agreement Credit Support Document**) on or around the Closing Date in support of the obligations of the Swap Counterparty under the Swap Agreement. Pursuant to the terms of such Swap Agreement Credit Support Document, if at any time the Swap Counterparty is required to provide collateral in respect of any of its obligations under the Swap Agreement, 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 and the Swap Agreement, the Swap Counterparty will make transfers of collateral to the Borrower in support of its obligations under the Swap Agreement and the Borrower will be obliged to return such collateral in accordance with the terms of the Swap Agreement Credit Support Document.

The Borrower will keep any collateral received from the Swap Counterparty pursuant to the Swap Agreement Credit Support Document in a separate account (the **Swap Collateral Account**). The Borrower may only make payments or transfers utilising any monies and securities held in the Swap Collateral Account if such payments and transfers are made in accordance with the terms of the Swap Agreement Credit Support Document.

The Swap Agreement and the Swap Agreement Credit Support Document will be governed by English Law.

### **13. TAX DEED OF COVENANT**

The obligations of the Issuer and the Obligors under the Issuer Transaction Documents and the Borrower Transaction Documents will be supported by a deed of covenant (the **Tax Deed of Covenant**) to be entered into on or about the Closing Date under which, *inter alia*, the Issuer will give certain representations, warranties and covenants in relation to its tax affairs, and the Obligors will give certain representations, warranties and covenants in relation to the tax affairs of the Obligors and the L&R Group, for the benefit of the Borrower Security Trustee and the Note Trustee.

The Tax Deed of Covenant will be governed by English law.

#### **14. THE RENT ACCOUNT AGREEMENT**

The Borrower, the Cash Manager and the Borrower Security Trustee will enter into a Rent Account Agreement (the **Rent Account Agreement**) with Barclays Bank PLC, acting through its office at 1 Churchill Place, London E14 5HP, on or about the Closing Date in connection with the maintenance of certain banking arrangements for the Borrower and the waiver by the Rent Account Bank of all rights of set-off in relation thereto.

The Borrower will hold amounts standing to the credit of the Rent Account on trust for the Propcos and will distribute or apply such amounts in accordance with the directions of the Borrower Security Trustee in accordance with the provisions of the Issuer/Borrower Loan Agreement and the Deed of Charge.

The Rent Account will be subject to a first priority security interest, created in favour of the Borrower Security Trustee pursuant to the Deed of Charge.

The Rent Account Agreement will be governed by English law.

## SUBSTITUTION, DISPOSAL AND ALTERATIONS OF PROPERTIES

In accordance with the terms of the Issuer/Borrower Loan Agreement, the B Loan Agreement and the Mortgage of Shares, a Property or the shares in a Propco may be disposed of and released from the relevant security provided that:

- (a) no Loan Event of Default or potential Loan Event of Default is outstanding or would result from that disposal and no event of default or potential event of default under the B Loan Agreement is outstanding or would result from that disposal;
- (b) the disposal is on arm's length terms;
- (c) following the disposal and the corresponding required prepayment, the Projected Interest Cover will not be less than the Projected Interest Cover immediately prior to the disposal;
- (d) the Net Disposal Proceeds are not less than the Release Price Amount provided that if the disposal proceeds are less than the Release Price Amount, a Propco may dispose of its Property or a Share Mortgagor may dispose of shares in a Propco if any shortfall between the disposal proceeds and the Release Price Amount is paid by an equity contribution or fully subordinated shareholder loan to the Borrower; and
- (e) the relevant Obligor or Share Mortgagor satisfies its obligations under the Tax Deed of Covenant with respect to the disposal.

The **Net Disposal Proceeds** are the gross proceeds of any disposal permitted under paragraphs (a) to (e) above less (i) any Taxes payable by the relevant Propco or Share Mortgagor in connection with that disposal and (ii) an amount determined by the Issuer and the Borrower Security Trustee as the reasonable costs and expenses associated with that disposal.

The **Release Price Amount** is, in relation to a Property (or a Propco), the aggregate of:

- (i) 110 per cent. of the amount determined as the allocated loan amount in relation to the relevant Property (or, in the case of a disposal of a Propco, the Property or Properties held by that Propco) and as set out in the Issuer/Borrower Loan Agreement for that Property;
- (ii) the amount confirmed in writing by the Swap Counterparty as being payable to it to terminate the Swap Agreement (in part) in connection with the relevant Issuer/Borrower Loan prepayment;
- (iii) an amount equal to:
  - (A) any interest that would have been payable on the amount referred to in paragraph (i) above under the Issuer/Borrower Loan Agreement and the B Loan Agreement; less
  - (B) any interest paid by the Account Bank on the amount referred to in paragraph (i) above,in respect of the period between the date of the relevant disposal and the next Interest Payment Date; and
- (iv) all other amounts payable by the Borrower under the Issuer/Borrower Loan Agreement in connection with such prepayment (including break costs).

The Release Price Amount (including any prepayment fees) will be calculated separately under the B Loan Agreement for the purposes of a prepayment of the B Loan. No Property or, if applicable, the shares in a Propco will be released from the security unless the Release Price Amount can be prepaid under both the Issuer/Borrower Loan Agreement and the B Loan Agreement.

### **Disposal of Properties with no intention to acquire a Substitute Property**

If the relevant Propco disposes of a Property (or the relevant Share Mortgagor disposes of its shares in a Propco) for the purpose of making a prepayment under the Intra-Group Loan Agreement (and the Borrower making a prepayment, in turn, under the Issuer/Borrower Loan Agreement and B Loan Agreement), such prepayment will be made on the next Interest Payment Date following the relevant disposal. Upon disposal, the relevant Propco or (in the case of a disposal of the shares in a Propco by a Share Mortgagor and the required on-lending by way of interest free loan or other method agreed with the Borrower Security Trustee) the Borrower, as applicable, will pay into the Cash Collateral Account an amount equal to the Net Disposal Proceeds pending such prepayment and, following such prepayment, will be permitted to pay into the General Account any Net Disposal Proceeds in excess of the Release Price Amount provided there is no Loan Event of Default or potential Loan Event of Default outstanding.

### **Substitution of Properties**

#### ***Substitution criteria***

If the relevant Propco proposes to make a substitution of a Property or the relevant Share Mortgagor proposes to make a substitution of a Propco that it is otherwise permitted to dispose of and provided (i) no Loan Event of Default or potential Loan Event of Default is outstanding, (ii) (in circumstances where the relevant Obligor may be unable (whether in law or otherwise) to make an election to waive exemption pursuant to Schedule 10 to the Value Added Tax Act 1994 in relation to the relevant Additional Property) the relevant Obligor demonstrating to the satisfaction of the Borrower Security Trustee that the incurring of any irrecoverable VAT by the relevant Obligor in relation to the relevant Additional Property will not adversely affect the ability of the Borrower to make any payment in accordance with the Issuer/Borrower Loan Agreement or in accordance with the B Loan Agreement and (iii) neither the Actual Interest Cover nor the Projected Interest Cover covenants would be breached, the Borrower may request that the Borrower Security Trustee releases the security over a Property or the shares in the relevant Propco, if applicable, and give alternative security over an additional property (the **Additional Property**) or shares in an additional property company, if applicable (the **Additional Propco**). The Borrower Security Trustee will provide its consent to such substitution and the substitution may be effected:

- (a) without seeking confirmation from the Rating Agencies provided that:
  - (i) the Obligor and, if applicable, the Share Mortgagor supply such information and details concerning any offered Additional Property and, if applicable, Additional Propco as the Issuer or the Borrower Security Trustee may reasonably request;
  - (ii) the Additional Property is used only as retail, office, PFI office, hotel or logistics premises;
  - (iii) after the market value of the Additional Property has been aggregated with the aggregate market value of all other Properties, the total value of Properties being used in a particular sector as a percentage of the total value of all the Properties does not exceed the following thresholds:
    - (A) Office – 45 per cent.



- (B) Retail – 35 per cent.
  - (C) PFI Office – 25 per cent.
  - (D) Hotels – 25 per cent.
  - (E) Logistics – 5 per cent.
- (iv) after the market value of the Additional Property has been aggregated with the aggregate market value of all other Properties, the total value of Properties located in a particular region as a percentage of the total value of all the Properties does not exceed the following thresholds:
- (A) London – 70 per cent.
  - (B) North East & Yorkshire – 10 per cent.
  - (C) Midlands – 17.5 per cent.
  - (D) South East (excluding London) – 20 per cent.
  - (E) Scotland – 12.5 per cent.
  - (F) Wales – 2.5 per cent.;
- (v) in the case of a proposed substitution of a Property which is used as leisure premises, the Additional Property substituting such Property is used only as retail, office, hotel or logistics premises;
- (vi) after the proposed substitution, the aggregate annual rent payable by any tenant under Occupational Leases will not exceed an amount equal to 15 per cent. of the aggregate annual rent payable by all tenants under all of the Occupational Leases, unless the long term, unsecured and unsubordinated debt of the tenant under such Occupational Leases is:
- (A) rated A- by Fitch or better and A3 by Moody's or better, in which case the annual rent payable by such tenant under such Occupational Leases will not exceed 25 per cent. of the aggregate annual rent payable by all tenants under all of the Occupational Leases; or
  - (B) rated AA- by Fitch or better and Aa3 by Moody's or better, or is the government of the U.K., in which case no restriction on the amount of the aggregate annual rent payable by such tenant under such Occupational Leases will apply;
- (vii) the market value of the Additional Property which is the subject of a proposed substitution does not exceed an amount equal to 17.5 per cent. of the market value of the Portfolio, as calculated in accordance with the most recent valuation of the Portfolio;
- (viii) the proposed substitution will not cause the Actual Interest Cover or the Projected Interest Cover to fall below 110 per cent. and will not cause a reduction in the Actual Interest Cover or the Projected Interest Cover of more than 2.5 per cent.;

- (ix) after the proposed substitution, the aggregate market value of all Properties which have been substituted in accordance with the substitution provisions in the Issuer/Borrower Loan Agreement does not exceed 25 per cent. of the value of the Original Properties (as determined from the Initial Valuation);
  - (x) the tenant of the Additional Property is in occupation at the time of the substitution;
  - (xi) the weighted average credit rating of the long term, unsecured debt obligations of the tenants (weighted by their annual contractual lease income at the time of the substitution) of the Additional Property is not less than the average credit rating of the long term, unsecured and unsubordinated debt obligations of the tenants of the substituted property or, if any of the tenants of the Additional Property or the substituted property are not rated, the tenants of the Additional Property must have, in the view of the Property Manager with reference to *inter alia*, historical financial information, third party reports and publicly available information, substantially the same or better credit worthiness than those of the substituted property;
  - (xii) the net present value of the aggregate rent payable by occupational tenants on the Additional Property (using the fixed rate applicable to amounts borrowed by the Propcos under Intra-Group Loan Agreement as the discount factor), when expressed as a percentage of the Allocated Loan Amount for the Additional Property (determined in accordance with paragraph (b)(i) below) is not less than that of the substituted Property or, if applicable, the Property that the relevant Propco holds (calculated on the same basis), when expressed as a percentage of the Allocated Loan Amount for the substituted property (determined in accordance with paragraph (b)(i) below);
  - (xiii) the weighted average remaining term of the Occupational Leases of the Additional Property is not less than the weighted average remaining term of the Occupational Leases of the substituted property or, if applicable, the Property that the relevant Propco holds, in each case (weighted by reference to the annual contracted rent and assuming break options are exercised);
  - (xiv) there is no continuing Loan Event of Default or potential Loan Event of Default under the Issuer/Borrower Loan Agreement, and there is no event of default or potential default continuing under the B Loan Agreement or the Intra-Group Loan Agreement;
  - (xv) the Property Manager certifies that to the best of its knowledge after due enquiry, there are no material liabilities, actual or contingent, associated with the Additional Property or, if applicable, the Additional Propco; and
  - (xvi) the Property Manager has sent a certificate to the Issuer and the Borrower Security Trustee at least five Business Days prior to the proposed substitution confirming that the substitution criteria contained in sub-paragraphs (i) to (xv) above have been or will be met and a law firm approved by the Borrower Security Trustee confirms to the Issuer and the Borrower Security Trustee that the Additional Property and, if applicable, the shares in the Additional Propco have been (or will be, by the date of the proposed substitution) mortgaged or secured in accordance with a Borrower Security Document; or
- (b) subject to the Borrower Security Trustee being satisfied that the Rating Agencies' ratings of the Notes will not be downgraded, withdrawn or qualified following such substitution.

At the request of the Borrower, the Borrower Security Trustee will release the security over a substituted property (and if applicable, the shares of the substituted Propco) following satisfaction of paragraph (a) or (b) above, subject to:

- (i) the Borrower Security Trustee confirming the Allocated Loan Amount for the Additional Property, which shall be an amount, when expressed as a percentage of the value of the Additional Property, that is the same as the Allocated Loan Amount of the substituted Property, when expressed as a percentage of the value of the substituted Property;
- (ii) certain conditions precedent relating to the Additional Property, and, if applicable, the Additional Propco, being received by the Issuer and the Borrower Security Trustee (including an appropriate certificate of title and the truth and correctness (in all material respects) of the representations and warranties given on or about the Closing Date in respect of the initial Properties, to the extent that the representations and warranties are then applicable); and
- (iii) the payment of the reasonable costs incurred by the Issuer or the Borrower Security Trustee in connection with paragraphs (i) and (ii) above.

For the purposes of paragraph (i) above, the value of each Additional Property will be determined in accordance with the Valuation relating to the Additional Property and the value of each substituted Property will be determined in accordance with the Initial Valuation.

In the case of a substitution of a Property for an Additional Property (or the substitution of a Propco for an Additional Propco) where the Net Disposal Proceeds in respect of the Property or Propco disposed of is greater than the gross acquisition cost of the Additional Property (or Additional Propco) (less any Taxes payable by the relevant Obligor or Share Mortgagor (as applicable) in connection with the acquisition of the Additional Property or Propco and an amount determined by the Issuer and the Borrower Security Trustee as the reasonable costs and expenses associated with the acquisition of that Additional Property or Additional Propco), the Obligors must apply an amount calculated on the same basis as the calculation set out in paragraph (c) under section "*Substitution, Disposal and Alteration of Properties – Warehousing proceeds for substitution*" in prepayment of the Issuer/Borrower Loans and the B Loan. Such prepayment will be made on the next Interest Payment Date following the disposal of the relevant Property or Propco. Upon disposal, the relevant Propco or (in the case of a disposal of the shares in a Propco by a Share Mortgagor and the required on-lending by way of interest free loan or other method agreed with the Borrower Security Trustee) the Borrower, as applicable, will pay into the Cash Collateral Account an amount equal to the difference between the Net Disposal Proceeds and the gross acquisition costs of the Additional Property or Additional Propco (less any Taxes payable by the relevant Obligor or Share Mortgagor (as applicable) in connection with the acquisition of the Additional Property or Propco and an amount determined by the Issuer and the Borrower Security Trustee as the reasonable costs and expenses associated with the acquisition of that Additional Property or Additional Propco) pending such prepayment. Following such prepayment, any amount in excess of the amount calculated in accordance with paragraph (c) of the section "*Substitution, Disposal and Alteration of Properties – Warehousing proceeds for substitutions*" below will be paid into the General Account, provided there is no Loan Event of Default or potential Loan Event of Default outstanding.

For the purposes of the substitution criteria stipulated above, a reference to an Additional Property includes the property held by an Additional Propco.

#### ***Warehousing proceeds for substitution***

If the relevant Propco plans to substitute a Property or a Share Mortgagor plans to substitute a Propco, it may elect to warehouse the Net Disposal Proceeds (the **Warehoused Proceeds**) by paying them to the Cash Collateral Account provided that the following conditions are satisfied:

- (a) the Borrower must select a date (the **Proposed Acquisition Date**) falling within 12 months of the date of the relevant disposal (but no later than the fourth Interest Payment Date after the disposal) by which it will use the Warehoused Proceeds to finance the acquisition of an Additional Property, or, if applicable, the Additional Propco;
- (b) subject to paragraph (c) below, if the Warehoused Proceeds are not used to finance the acquisition of an Additional Property, or, if applicable, the Additional Propco before the Proposed Acquisition Date, the Borrower must on the Proposed Acquisition Date use the Warehoused Proceeds to prepay the Issuer/Borrower Loans and B Loan in an amount which would have been required to be prepaid in accordance with section "*Substitution, Disposal and Alteration of Properties – Disposal of Properties with no intention to acquire a Substitute Property*" but for the alternative set out under this heading "*Substitution, Disposal and Alteration of Properties – Warehousing proceeds for substitution*";
- (c) if only part of the Warehoused Proceeds are used to finance the acquisition of an Additional Property or, if applicable, an Additional Propco before the Proposed Acquisition Date, the Borrower must on the Proposed Acquisition Date, use the unutilised portion of the Warehoused Proceeds to prepay the Issuer/Borrower Loans and B Loan in an amount equal to 110 per cent. of the difference between:
  - (i) the Allocated Loan Amount for the Additional Property (calculated in accordance with section "*Substitution, Disposal and Alteration of Properties – Substitution of Properties – Substitution Criteria*"); and
  - (ii) the Allocated Loan Amount of the substituted Property (calculated in accordance with section "*Substitution, Disposal and Alteration of Properties – Substitution of Properties – Substitution Criteria*");
- (d) the Borrower must, on the date of the relevant disposal, purchase from the Swap Counterparty an option to break the Swap on the Proposed Acquisition Date in an amount equal to the maximum notional principal amount which may be required to be prepaid under paragraph (c) above; and
- (e) the Warehoused Proceeds must exceed the aggregate of:
  - (i) the amounts set out in sub-paragraph (i) and (ii) of the definition of Release Price Amount above;
  - (ii) any Tax liabilities associated with the relevant disposal (excluding Tax liabilities calculated by reference to the net income of the L&R Group); and
  - (iii) an amount equal to:
    - (A) the applicable LIBOR and Margin on the amount of the Warehoused Proceeds (if it were treated as an Issuer/Borrower Loan); less
    - (B) the interest that will accrue in respect of the Warehoused Proceeds as determined by the Cash Manager in consultation with the Borrower Security Trustee,

for a period beginning on the Interest Payment Date immediately prior to the Warehoused Proceeds being paid into the Cash Collateral Account and ending on the next Interest Payment Date after the Proposed Acquisition Date.

## AVAILABLE FUNDS AND THEIR PRIORITY OF APPLICATION

The Cash Manager will, subject to there being amounts available after making payments ranking in priority thereto, transfer from the Borrower Transaction Account to the Issuer Transaction Account on each Interest Payment Date monies due to the Issuer under the Issuer/Borrower Loan Agreement and in accordance with the Issuer/Borrower Loan Agreement and the Intercreditor Agreement.

Three Business Days prior to each Interest Payment Date prior to a Note Acceleration Notice being served, the Cash Manager will determine whether sufficient monies are standing to the credit of the Borrower Transaction Account (including any interest thereon and any proceeds from any Eligible Investments) to pay all sums then due under the Issuer/Borrower Loan Agreement after reserving for payments to be made in priority thereto.

### *Monies available to the Issuer and priority of payments*

Prior to a Note Acceleration Notice being served, monies which the Issuer has available to it to enable it to perform its obligations under or in respect of the Notes on each Interest Payment Date will comprise:

- (a) all monies paid to it under the Issuer/Borrower Loan Agreement;
- (b) interest accruing on amounts standing to the credit of the Issuer Accounts and amounts otherwise standing to the credit of the Issuer Accounts;
- (c) any available commitment under the Liquidity Facility Agreement (including any Stand-By Loan advanced thereunder); and
- (d) amounts deriving from investment of amounts standing to the credit of the Issuer Transaction Account in Eligible Investments,

(together, **Available Issuer Income**).

Prior to enforcement of the Issuer Security, and provided a Note Acceleration Notice has not been served, on each Interest Payment Date the amount standing to the credit of the Issuer Transaction Account shall be applied in the following order of priorities (the **Pre-Enforcement Priority of Payments**), in each case only to the extent that (i) payments of a higher order of priority have been made in full and (ii) the relevant payment does not cause the Issuer Transaction Account to become overdrawn:

- (a) *first*, to pay all of the remuneration, costs, expenses and indemnification of the Note Trustee or any Appointee of the Note Trustee, in each case in accordance with and pursuant to the Transaction Documents;
- (b) *then*, to pay, *pari passu* and *pro rata*, the remuneration, costs and expenses of the Paying Agents, the Agent Bank under the Agency Agreement, the Cash Manager under the Cash Management Agreement and the Account Bank under the Account Bank Agreement;
- (c) *then*, in or towards payment, *pro rata*, of any amounts that the Issuer has agreed to pay to the Borrower or the Swap Counterparty on the Borrower's behalf in respect of any Hedging Loans on such Interest Payment Date;
- (d) *then*, to pay all fees and interest due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement (but excluding any Liquidity Subordinated Amounts);

- (e) *then*, to pay all principal due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement (except, in the case of a Stand-by Loan, to the extent repaid using funds standing to the credit of the Stand-by Account);
- (f) *then*, to pay, *pari passu* and *pro rata*:
  - (i) any amounts payable by the Issuer in respect of the Issuer's operating expenses incurred in the course of the Issuer's business (other than as provided elsewhere in this priority of payments) that have become due and payable, including any amounts payable by the Issuer in respect of its establishment, maintenance and corporate existence; and
  - (ii) any amounts payable by the Issuer in respect of any tax (including United Kingdom corporation tax) for which the Issuer is primarily liable under the laws of any jurisdiction,

(together with expenses provided in paragraphs (a) to (e) of the Pre-Enforcement Priority of Payments, the **Senior Expenses**);
- (g) *then*, to pay all amounts of interest due and payable in respect of the Class A Notes;
- (h) *then*, to pay all amounts of interest due and payable under the Class B Notes;
- (i) *then*, to pay all amounts of interest due and payable under the Class C Notes;
- (j) *then*, to pay all amounts of principal due and payable under the Class A Notes;
- (k) *then*, to pay all amounts of principal due and payable under the Class B Notes;
- (l) *then*, to pay all amounts of principal due and payable under the Class C Notes;
- (m) *then*, to pay to the Liquidity Facility Provider any Liquidity Subordinated Amounts; and
- (n) *finally*, to pay amounts equal to 0.01 per cent. of Available Issuer Income in respect of such Interest Payment Date to the Issuer.

Whilst any of the Notes are outstanding, any surplus funds in the Issuer Transaction Account may be invested in Eligible Investments or applied in accordance with the Cash Management Agreement and the Issuer Deed of Charge.

Upon and after enforcement of the Issuer Security, and provided a Note Acceleration Notice has not been served, all moneys received or recovered by the Note Trustee or any Receiver for the benefit of the Issuer Secured Creditors in respect of the Issuer Secured Liabilities shall be held by it on trust to be applied in the same order of priority, and on the same terms, as set out in the Pre-Enforcement Priority of Payments, but as if:

- (a) each of the references in the Pre-Enforcement Priority of Payments to the Note Trustee included a reference to any Receiver appointed by the Note Trustee;
- (b) each of the references in the Pre-Enforcement Priority of Payments to an amount payable by the Issuer which does not form part of the Issuer Secured Liabilities were deleted; and
- (c) the paragraph following sub-paragraph (n) of the Pre-Enforcement Priority of Payments were amended such that any surplus referred to in that paragraph is retained in an account in the

name of, or under the control of, the Note Trustee or any Receiver appointed by the Note Trustee for subsequent application in accordance with the provisions of the Issuer Deed of Charge and the Cash Management Agreement,

(the **Post-Enforcement/Pre-Acceleration Priority of Payments**).

Following a Note Acceleration Notice being served, all monies received or recovered by the Note Trustee or any Receiver for the benefit of the Issuer Secured Creditors in respect of the Issuer Secured Liabilities shall be held by it on trust to be applied in the following order of priority (the **Post-Acceleration Priority of Payments**), in each case only to the extent that (i) payments of a higher order of priority have been made in full and (ii) the relevant payment does not cause the Issuer Transaction Account to become overdrawn:

- (a) *first*, to pay all of the remuneration, costs, expenses and indemnification of the Note Trustee and any Receiver or other Appointee of the Note Trustee, in each case in accordance with and pursuant to the Transaction Documents;
- (b) *then*, to pay, *pari passu* and *pro rata*, the remuneration, costs and expenses of the Agent Bank and the Paying Agents under the Agency Agreement, the Cash Manager under the Cash Management Agreement and the Account Bank under the Account Bank Agreement;
- (c) *then*, to pay to the Liquidity Facility Provider all amounts due under the Liquidity Facility Agreement (excluding any Liquidity Subordinated Amounts and, in the case of a Stand-by Loan, amounts due to the extent repaid using funds standing to the credit of the Stand-by Account);
- (d) *then*, to pay all amounts of interest due in respect of the Class A Notes;
- (e) *then*, to pay all amounts of principal due under the Class A Notes;
- (f) *then*, to pay all amounts of interest due in respect of the Class B Notes;
- (g) *then*, to pay all amounts of principal due under the Class B Notes;
- (h) *then*, to pay all amounts of interest under the Class C Notes; and
- (i) *then*, to pay all amounts of principal under the Class C Notes;
- (j) *then*, to pay, to the Liquidity Facility Provider any Liquidity Subordinated Amounts.

Any surplus shall be paid to the Issuer.

## **USE OF PROCEEDS**

The gross proceeds of the issue of the Notes will be £256,000,000. On or about the Closing Date, the Issuer will make three advances to the Borrower of £256,000,000 in total, pursuant to the Issuer/Borrower Loan Agreement. On or about the Closing Date, the Borrower will make twenty advances (using the proceeds of the Notes and the advances made under the B Loan Agreement) to the Propcos of £384,080,000 in total under the Intra-Group Loan Agreement.

On or about the Closing Date, the Borrower will pay to the Issuer the initial facility fee in an amount equal to all the fees, costs and expenses incurred by the Issuer on or before the Closing Date in connection with the issue of the Notes and the negotiation, preparation and execution of each Issuer Transaction Document.



## THE ISSUER

The Issuer, London & Regional Debt Securitisation No.2 PLC, was incorporated in England and Wales on 2 June 2006 (registered number 5835837), as a public company with limited liability under the Companies Act 1985. The registered office of the Issuer is at 4th Floor, St Alphage House, 2 Fore Street, London EC2Y 5DH and its contact telephone number is +44 (0)20 7216 4600. The Issuer is organised as a special purpose vehicle and its activities are limited by the Transaction Documents accordingly. The Issuer has no subsidiaries. The entire issued share capital of the Issuer is held by L&R Parent and London and Regional Commercial Properties Holdings Limited.

### 1. PRINCIPAL ACTIVITIES

The principal objects of the Issuer are set out in clause 4 of its Memorandum of Association and are, among other things, to lend money and give credit, secured and unsecured, to borrow or raise money and secure the payment of money, and to grant security over its property for the performance of its obligations or the payment of money. The Issuer was established for the limited purposes of the issue of the Notes, making the Issuer/Borrower Loans and certain related transactions described elsewhere in this document.

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

The activities of the Issuer will be restricted by the Conditions and will be limited to the issue of the Notes, the making of the Issuer/Borrower Loans, the exercise of related rights and powers and the other activities described in this document. See further **Condition 4**.

### 2. DIRECTORS AND SECRETARY

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

<b>Name</b>	<b>Business Address</b>	<b>Principal Activities</b>
Christopher King	105 Wigmore Street, W1U 1QY	Director
SFM Directors Limited	35 Great St. Helen's, London, EC3A 6AP	Management of Special Purpose Entities
SFM Directors (No. 2) Limited	35 Great St. Helen's, London, EC3A 6AP	Management of Special Purpose Entities

The company secretary of the Issuer is Richard Luck, whose business address is 105 Wigmore Street, W1U 1QY.

### 3. CAPITALISATION AND INDEBTEDNESS

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

<b>Authorised Share Capital</b>	<b>Issued Share Capital</b>	<b>Value of each Share</b>	<b>Shares Fully Paid Up</b>	<b>Paid Up Share Capital</b>
(£)	(£)	(£)		
50,000	50,000	1	12,500	12,500

One-quarter of the issued shares (being 12,500 shares of £1 each), is fully paid up. L&R Parent holds 49,999 of the issued shares and London and Regional Commercial Properties Holdings Limited holds one issued share.

#### **Loan Capital**

Class A Commercial Mortgage Backed Floating Rate Notes due 2015	£190,000,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2015	£16,000,000
Class C Commercial Mortgage Backed Floating Rate Notes due 2015	£50,000,000
Total Loan Capital	£256,000,000

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

### 4. FINANCIAL INFORMATION

The Issuer will publish annual reports and accounts. The Issuer has not prepared audited financial statements as of the date of the Offering Circular.

## THE BORROWER

The Borrower, London & Regional Portfolio Finance Limited, was incorporated in England and Wales on 2 June 2006 (registered number 5835838), as a private company with limited liability under the Companies Act 1985. The registered office of the Borrower is at 4th Floor, St Alphage House, 2 Fore Street, London EC2Y 5DH and its contact telephone number is +44 (0)20 7216 4600.

The authorised share capital of the Borrower is £1,000, divided into 1,000 ordinary shares of £1 each, one of which has been issued fully paid and is held by L&R Parent.

### 1. PRINCIPAL ACTIVITIES

The principal objects of the Borrower are set out in Clause 3 of its Memorandum of Association. Its object is to carry on business as a general commercial company, which includes:

- (a) purchasing, selling, renting, leasing, managing, and encumbering registered property and the financing and realising of building projects;
- (b) participating in, financing of and managing of other companies, of whatever nature, borrowing and granting loans, the granting of guarantees for indebtedness of others and granting of security; and
- (c) managing of and investing in business assets,

as well as everything that relates to the aforementioned or may be in furtherance thereof.

### 2. DIRECTORS AND SECRETARY

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

Name	Business Address	Principal Activities
Christopher King	105 Wigmore Street, W1U 1QY	Director
Ian Livingstone	105 Wigmore Street, W1U 1QY	Director

The company secretary of the Borrower is Richard Luck. The Borrower has no employees.

### 3. CAPITALISATION AND INDEBTEDNESS STATEMENT

It is estimated that the capitalisation of the Borrower on or about the Closing Date will be as follows:

#### Share Capital:

Authorised and issued:

1,000 ordinary shares of £1 each of which one share has been issued fully paid £1

## **Loan Capital**

Issuer/Borrower Loan Agreement (to be advanced on or about the Closing Date)	£256,000,000
B Loan Agreement (to be advanced on or about the Closing Date)	£128,080,000
<b>Total capitalisation and indebtedness:</b>	<b>£384,080,000</b>

Save for the foregoing, at the date of this document, the Borrower has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities. All loan capital is secured over the assets of the Borrower and (by way of third party security) over certain assets of the Borrower. The loan capital of the Borrower is not guaranteed.

## **4. FINANCIAL INFORMATION**

The Borrower will publish annual reports and accounts. The Borrower has not prepared audited financial statements as of the date of the Offering Circular.

## THE PROPCOS

### 1. CORPORATE INFORMATION

A summary of the details relating to each Propco's date and jurisdiction of incorporation, office holders, company number and registered office are set out in Appendix A to this Offering Circular.

### 2. PRINCIPAL ACTIVITIES

In respect of each Propco, its objects, as set out in its Memorandum of Association, are to carry on business as a general commercial company, which includes:

- (a) carrying on a business in connection with property development, property management and property investment;
- (b) purchasing, taking on lease or otherwise acquiring any estate or interest in any lands, buildings and easements for such consideration and on such terms as may be considered expedient; and
- (c) *to borrow or raise or secure the payment of money for the purposes of or in connection with its business.*

### 3. CAPITALISATION AND INDEBTEDNESS STATEMENT

It is estimated that the capitalisation of each Propco on or about the Closing Date (following discharge of any existing indebtedness on the Closing Date) will be as set out in Appendix B to this Offering Circular. Save for the share capitalisation and indebtedness set out in Appendix B to this Offering Circular, as at the date of this Offering Circular, no Propco has any borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities. In respect of each Propco, all of its loan capital is secured over its assets. No loan capital of any Propco is guaranteed.

## THE PROPERTIES

Set out on the following pages is an overview of certain characteristics of the portfolio and some of the Properties within the portfolio. This overview does not include information on all the Properties. Additional information in relation to the Properties is contained in the tenant database set out in Appendix C to this Offering Circular, and in the full Valuation Reports reproduced on the CD-ROM distributed contemporaneously with this Offering Circular.

The information relating to the Properties contained in this Offering Circular (other than information contained in the Valuation Reports and the section "*Valuation Reports*" below) is correct as at 7 July 2006, and is subject to change between that date and the Closing Date.

# Portfolio Summary

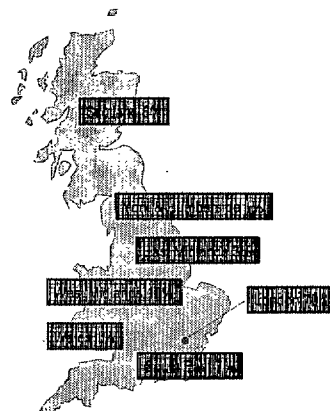
London and Regional is securitising £443,800,000 worth of U.K. assets via its second securitisation, LoRDS II. The portfolio benefits from a large number of properties (27) with diversified uses (office, leisure, hotel, retail, etc.) and with diversified locations (UK-wide). At 98 per cent. occupancy and an overall weighted average remaining lease-length of 12.9 years, this portfolio also offers attractively stable cashflows.

Because of the complexity of this asset pool, the securitisation has been divided into four sub-pools:

- 1) the Office Portfolio
- 2) the Hotel Portfolio
- 3) the Leisure Portfolio
- 4) the Retail / Other Portfolio

## Property Pool

### Geographical Distribution by Market Value (MV)



### Portfolio Overview<sup>(1)</sup>

Sub-Portfolio	# of Assets	# of Leases	MV (£ MM)	% of Total	Rent <sup>(2)</sup> (£ MM)	ERV <sup>(2)</sup> (£ MM)	Area (sq ft) <sup>(3)</sup>	Occupancy	Largest Asset	Location	MV (£ MM)	% of Port.
Office <sup>(4)</sup>	12	57	175.8	40%	11.3	10.6	506,215	96%	Emperor House	London	43.8	10%
Hotel	2	3	104.9	24%	5.8	5.8	5,000 <sup>(5)</sup>	100%	Trafalgar Sq. Hotel	London	54.9	12%
Leisure	7	16	85.3	19%	4.4 <sup>(6)</sup>	4.8	312,325	100%	Leicester Sq. Casino	London	52.3	12%
Retail / Other	6	69	77.8	18%	4.5	4.5	269,709	99%	Camden High St.	London	28.4	6%
<b>Total</b>	<b>27</b>	<b>145</b>	<b>443.8</b>	<b>100%</b>	<b>25.9</b>	<b>25.7</b>	<b>1,093,249</b>	<b>98%</b>			<b>179.3</b>	<b>40%</b>

### Portfolio Overview – Regional Distribution<sup>(1)</sup>

Region	# of Assets	# of Leases	MV (£ MM)	% of Total	Rent <sup>(2)</sup> (£ MM)	% of Total	ERV <sup>(2)</sup> (£ MM)	Area (sq ft)	Occupancy
East Midlands	2	3	14.8	3%	1.1	4%	1.1	90,370	100%
London	14	65	309.1	70%	17.5	67%	17.4	477,657	99%
Scotland	2	2	34.4	8%	2.3	9%	2.1	98,552	100%
South East	4	31	30.8	7%	1.8	7%	2.1	232,723	95%
Wales	1	2	3.2	1%	0.2	1%	0.2	22,400	100%
West Midlands	3	41	45.1	10%	2.7	10%	2.4	134,607	97%
York & Humberside	1	1	6.4	1%	0.4	1%	0.4	36,940	100%
<b>Total</b>	<b>27</b>	<b>145</b>	<b>443.8</b>	<b>100%</b>	<b>25.9</b>	<b>100%</b>	<b>25.7</b>	<b>1,093,249</b>	<b>98%</b>

#### Notes

1. Values may not sum exactly to the numbers in the "Total" row due to rounding
2. Net of all costs and headlease obligations
3. Office and leisure assets show net internal area (NIA) while the Retail assets show gross lettable area (GLA) or area in terms of Zone A (ITZA), whichever appropriate
4. HMRC have an option to vacate a portion of one of the Office assets in the PFI Office Sub-Portfolio (Archer House) in 2009. However, as there is only one entrance to the building, it is considered unlikely that it will exercise this option
5. Only reflects the one restaurant lease in the Trafalgar Square Hilton. Does not include the areas for the 291 rooms in the hotel assets
6. Includes a stabilised rental figure of £2,525,000 p.a. for the Leicester Square asset. On 7 September 2006 a partial rent free period expires, increasing rent from £525,000 to £2,525,000

Top 10 Tenants <sup>(1)</sup>								
Tenant Name	Portfolio	Asset	Rent (£ MM)	% of Total	Area (sq ft) <sup>(2)</sup>	% of Total	Break Date	Expiry Date
Stakis Limited <sup>(3)</sup>	Hotel	Various	6.0	23%	0 <sup>(4)</sup>	0%		Various <sup>(5)</sup>
HM Revenue & Customs <sup>(6)</sup>	Office	Various	3.3	13%	140,219	13%		Various <sup>(7)</sup>
Field Fisher Waterhouse	Office	Emperor House	2.5	10%	73,300	7%	29-Sep-14	29-Sep-18
London Clubs LSQ Ltd	Leisure	Leicester Sq. Casino	2.5 <sup>(8)</sup>	10%	93,846	9%		23-Jun-30
Luminar Leisure Ltd	Leisure	Various	1.2	5%	133,911	12%		23-Jun-26
Elsevier Limited	Office	Bewlay House	0.9	4%	46,360	4%		23-Jun-14
Virgin Retail Ltd	Retail / Other	Camden High Street	0.6	2%	19,750	2%		22-Apr-21
British Diabetic Association	Retail / Other	Camden High Street	0.6	2%	16,660	2%		21-Oct-16
Liberata UK Ltd	Office	Derwent House	0.6	2%	40,316	4%	31-Mar-08	06-Aug-16
St. Paul London Properties Inc.	Office	America House	0.5	2%	14,066	1%	25-Aug-14	24-May-15
<b>Top 10 Tenants</b>			<b>18.8</b>	<b>72%</b>	<b>578,428</b>	<b>53%</b>		
<b>Others</b>			<b>7.8</b>	<b>30%</b>	<b>514,821</b>	<b>47%</b>		
<b>(Minus Headlease Charges)</b>			<b>(0.7)</b>	<b>(2%)</b>	<b>N/A</b>	<b>N/A</b>		
<b>Total</b>			<b>25.9</b>	<b>100%</b>	<b>1,093,249</b>	<b>100%</b>		

#### Notes

- Values may not sum exactly to the numbers in the "Total" row due to rounding
- Office and leisure assets show N/A while the Retail assets show GLA or ITZA, whichever appropriate
- Stakis Limited is a subsidiary of the Hilton Hotels Corporation
- No areas currently available for the two Stakis leases. These leases comprise a total of 291 rooms in two hotels (the Green Park Hilton and the Trafalgar Square Hilton)
- The Stakis lease in the Green Park Hilton expires in May 2024 and the Stakis lease in the Trafalgar Square Hilton expires in May 2026
- HMRC have an option to vacate a portion of one of the three PFI assets (Archer House) in 2009. However, as there is only one entrance to the building, it is considered unlikely that it will exercise this option
- The three HMRC leases end in April 2014, December 2013, and December 2013
- Stabilised rental figure. On 7 September 2006 a partial rent free expires, increasing rent from £525,000 to £2,525,000



# Office Portfolio

London and Regional has extensive experience in the UK office investment market. The L&R Group UK office portfolio includes over 20 separate multi and single-let office investments valued at over £1 billion. The company also has substantial office development programmes in progress in Central London including London's West End, Park Royal and Vauxhall.

In this portfolio, London and Regional will be securitising a pool of 12 office properties predominantly located in the London region. Three of these assets have been grouped into a sub portfolio (the **Government Sub-Portfolio**) as they have been specially constructed under the Private Finance Initiative (PFI) for a UK government entity, HMRC.

Geographic Distribution (% by MV)



Asset Overview <sup>(1)</sup>													
Asset Name	Town	Region	Main Use	# of Leases	MV (£ MM)	% of Total	Rent <sup>(2)</sup> (£ MM)	% of Total	ERV <sup>(2)</sup> (£ MM)	NIY	Area (sq ft) <sup>(3)</sup>	Occupancy	Tenure
Emperor House	London EC3	London	Office	1	43.8	25%	2.5 <sup>(4)</sup>	23%	2.5	5.5%	73,300	100%	Freehold
America House	London EC3	London	Office	8	23.0	13%	1.5	14%	0.9	6.4%	46,400	100%	Long LH <sup>(6)</sup>
Elgin House	Edinburgh	Scotland	Office	1	17.4	10%	1.1	10%	1.1	6.1%	49,052	100%	Heritable <sup>(7)</sup>
Cotton House	Glasgow	Scotland	Office	1	17.1	10%	1.2	10%	1.0	6.5%	49,500	100%	Heritable <sup>(7)</sup>
Bewlay House	London NW1	London	Office	1	16.5	9%	0.9	8%	1.1	5.4%	46,360	100%	Virtual FH <sup>(5)</sup>
Epworth House	London EC1	London	Office	16	15.8	9%	1.0	9%	1.1	6.0%	58,510	88%	Virtual FH <sup>(5)</sup>
Archer House	Stockport	West Midlands	Office	1	13.6	8%	1.0	9%	0.5	7.0%	41,667	100%	Long LH <sup>(6)</sup>
Derwent House	Sheffield	East Midlands	Office	2	12.0	7%	0.9	8%	0.9	7.1%	65,572	100%	Long LH <sup>(6)</sup>
Southfields Business Park	Basilton	South East	Office	13	8.6	5%	0.4	4%	0.7	4.4%	37,939	69%	Freehold <sup>(8)</sup>
Peer House	London WC1	London	Office	4	3.3	2%	0.2	2%	0.2	6.6%	10,035	100%	Freehold
Conway House	Cardiff	Wales	Office	2	3.2	2%	0.2	2%	0.2	7.0%	22,400	100%	Long LH <sup>(6)</sup>
Tavistock Place	London WC1	London	Office	7	1.9	1%	0.1	1%	0.2	6.9%	5,480	100%	Freehold
<b>Total</b>				<b>57</b>	<b>175.8</b>	<b>100%</b>	<b>11.3</b>	<b>100%</b>	<b>10.6</b>		<b>506,215</b>	<b>96%</b>	

**Notes**

- Values may not sum exactly to the numbers in the "Total" row due to rounding
- Net of all costs and headlease obligations
- Office and Leisure assets show NIA while the Retail assets show GLA or ITZA, whichever appropriate
- The net rent at Emperor House is currently £2,295,000. A step-up to £2,545,000 was supposed to be in place and is currently being negotiated. Until this is agreed, a sum sufficient to cover the difference in rental income over the life of this financing will be reserved in escrow
- Very long headleases (999 years) at a peppercorn rent
- Long headleases at a peppercorn rent
- Scottish equivalent to freehold
- LR Estates Limited currently owns the freehold title and LR (Cardiff) Limited owns the head leases. Historically all rents from the occupational tenants are demanded by and accounted for by LR Estates Limited. No rent passes between LR Estates Limited and LR (Cardiff) Limited.

## Top 10 Tenants in Office Portfolio

Tenant Name	# of Leases	Asset	Rent (£ pa)	Rent (£/sq ft)	% of Total	Area (sq ft) <sup>(1)</sup>	% of Total	Break Date	Expiry Date
HM Revenue & Customs <sup>(2)</sup>	3	Elgin, Archer and Cotton House	3,294,297	23.49	29.3%	140,219	27.7%		Various <sup>(3)</sup>
Field Fisher Waterhouse <sup>(4)</sup>	1	Emperor House	2,545,000	34.72	22.6%	73,300	14.5%	29-Sep-14	29-Sep-18
Eisevier Limited	1	Bewlay House	945,826	20.40	8.4%	46,360	9.2%		23-Jun-14
Liberata UK Ltd	1	Derwent House	558,000	13.84	5.0%	40,316	8.0%	31-Mar-08	06-Aug-16
St Paul London Properties Inc	1	America House	515,000	36.61	4.6%	14,066	2.8%	25-Aug-14	24-May-15
Sheffield City Council	1	Derwent House	338,639	13.41	3.0%	25,256	5.0%		06-Aug-11
London Market Claims Services	1	America House	264,000	40.05	2.3%	6,592	1.3%		28-Sep-15
River Thames Insurance Co Ltd	1	America House	255,000	40.29	2.3%	6,329	1.3%		24-Mar-15
American Express Europe Ltd	1	Epworth House	185,000	32.67	1.6%	5,662	1.1%		24-Mar-08
QBE Reinsurance (UK) Ltd	1	America House	164,670	38.48	1.5%	4,279	0.8%		24-Dec-15
<b>Top 10 Total</b>	<b>12</b>		<b>9,065,432</b>	<b>25.02</b>	<b>80.6%</b>	<b>362,379</b>	<b>71.6%</b>		
<b>Others</b>	<b>45</b>		<b>2,186,482</b>	<b>15.20</b>	<b>19.4%</b>	<b>143,836</b>	<b>28.4%</b>		
<b>(Minus Headlease Charges)</b>			<b>(850)</b>	<b>N/A</b>	<b>(0.0%)</b>	<b>N/A</b>	<b>N/A</b>		
<b>Total</b>	<b>57</b>		<b>11,251,064</b>	<b>22.23</b>	<b>100.0%</b>	<b>506,215</b>	<b>100.0%</b>		

## The Government Sub-Portfolio

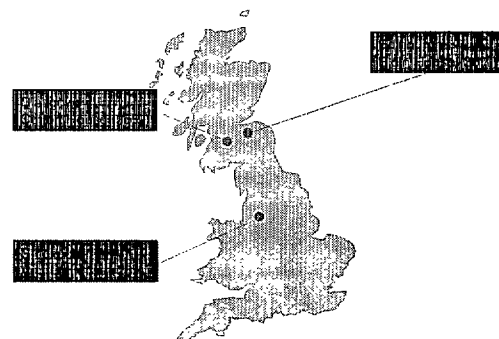
The Office Portfolio includes 3 office buildings constructed pursuant to agreements (each, a **Project Agreement**) under the PFI. Each of these three buildings is fully occupied by HMRC, a UK government entity.

One of the properties (Archer House) was developed by London and Regional and the other two were acquired as newly constructed properties.

The properties are all well located near large UK urban centres (Glasgow, Edinburgh, and, in the case of Archer House, Stockport in the Greater Manchester area).

London and Regional has extensive experience with PFI contracts; the company has developed five facilities under the PFI and currently operates seven PFI investments nationwide, administering a **Unitary Charge**<sup>(9)</sup> book exceeding £17,000,000 p.a.

## Geographic Distribution



## Asset Overview<sup>(8)</sup>

Asset Name	Town	Region	Main Use	# of Leases	MV (£ MM)	% of Total	Rent <sup>(6)</sup> (£ MM)	% of Total	ERV <sup>(6)</sup> (£ MM)	NIY	Area (sq ft) <sup>(1)</sup>	Occupancy	Tenure
Elgin House	Edinburgh	Scotland	Office	1	17.4	36%	1.1	34%	1.1	6.1%	49,052	100%	Heritable <sup>(8)</sup>
Cotton House	Glasgow	Scotland	Office	1	17.1	35%	1.2	36%	1.0	6.5%	49,500	100%	Heritable <sup>(8)</sup>
Archer House	Stockport	West Midlands	Office	1	13.6	28%	1.0	31%	0.5	7.0%	41,667	100%	Long LH <sup>(7)</sup>
<b>Total</b>				<b>3</b>	<b>48.1</b>	<b>100%</b>	<b>3.3</b>	<b>100%</b>	<b>2.6</b>		<b>140,219</b>	<b>100%</b>	

### Notes

- Office and Leisure assets show NIA while the Retail assets show GLA or ITZA, whichever appropriate
- HMRC have an option to vacate a portion of one of the three PFI assets (Archer House) in 2009. However, as there is only one entrance to the building, it is considered unlikely that it will exercise this option
- The three HMRC leases end in April 2014, November 2013 and December 2013
- The net rent at Emperor House is currently £2295,000. A step-up to £2,545,000 was supposed to be in place and is currently being negotiated. Until this is agreed, London and Regional will reserve in escrow a sum sufficient to cover the difference in rental income over the life of this financing
- Values may not sum exactly to the numbers in the "Total" row due to rounding
- Net of all costs and headlease obligations
- Long headleases at a peppercorn rent
- Scottish equivalent to freehold
- Unitary Charge refers to the annual payments made by the UK government under the Project Agreement to a private contractor

## Archer House

(The Government Sub-Portfolio)

Property Summary	
Property Type	Office
Region	West Midlands
Address	London Road, Stockport
Size	41,667 sq ft
Market Value	£13.6 mm
Number of Leases	1
Net Initial Rent	£1.0mm
ERV	£0.5mm
Net Initial Yield	7.00%
Occupancy	100%
Tenure	Long Leasehold <sup>(1)</sup>

Archer House was developed and completed by London & Regional in March 1999 under the PFI specifically for HMRC.

The property is a five-story office building of frame construction, with brick cladding on all elevations, apart from the fourth floor which is glazed cladding, all under a pitched tiled roof.

Archer House is located near the town centre of Stockport, with good access to transportation. There are a number of office buildings in the immediate vicinity, all of which are older than the property. Stockport is an affluent commuter town for Manchester, eight miles to the south east, and has a strong employment base in its own right with many firms having established regional offices there.

The property is fully occupied by HMRC and is used for tax and benefits administrative purposes. The Project Agreement extends to April 2014, and stipulates that during this term London and Regional provide certain services under a Service Level Agreement. The current net payment under the Project Agreement is £1,010,020 per annum.

HMRC has an option to vacate a portion of the building in 2009; however, as there is only one entrance to the building, it is considered unlikely that it will exercise this option.

## Elgin House

(The Government Sub-Portfolio)

Property Summary	
Property Type	Office
Region	Scotland
Address	Haymarket Yards, Edinburgh
Size	49,052 sq ft
Market Value	£17.4mm
Number of Leases	1
Net Initial Rent	£1.1mm
ERV	£1.1mm
Net Initial Yield	6.05%
Occupancy	100%
Tenure	Heritable (Scottish equivalent to freehold)

Elgin House was developed and completed in 1998 under the PFI specifically for HMRC. The property was purchased by London and Regional upon completion.

This asset is a three-story office building, with part brick and part glazed curtain cladding, and a pitched slate roof, built in two main wings linked by a central core. The property has 20 dedicated car parking spaces.

The property is located immediately adjacent to Haymarket Station in the West End of Edinburgh. There were a number of other office buildings in the immediate vicinity developed around the same time as the property.

The property is fully occupied by HMRC and is used for tax and benefits administrative purposes. The Project Agreement extends to November 2013 and stipulates that during this term London and Regional provide certain services under a Service Level Agreement. The current net payment under the Project Agreement is £1,112,619 per annum.

On the maturity date of the Project Agreement, the occupant has the right to extend the existing arrangement on the same terms for a period of not less than five years.

### Notes

1. The Archer House leasehold is for 250 years (to 2248) at a peppercorn rent

# Cotton House

(The Government Sub-Portfolio)

Property Summary	
Property Type	Office
Region	Scotland
Address	Cochrane Street, Glasgow
Size	49,500 sq ft
Market Value	£17.1mm
Number of Leases	1
Net Initial Rent	£1.2mm
ERV	£1.0mm
Net Initial Yield	6.48%
Occupancy	100%
Tenure	Heritable (Scottish equivalent to freehold)

Cotton House was developed and completed in 1998 under the PFI specifically for HMRC. The property was purchased by London and Regional upon completion.

Cotton House is a six-story office building, of reinforced concrete framed construction clad with sandstone under a flat asphalt covered concrete slab roof. The property has 44 car parking spaces.

The property is located on Cochrane Street, in the heart of the city centre in Glasgow with a mixture of office, leisure, hotel and public buildings nearby. The property has good access to local transportation with bus and train stations within easy walking distance.

The property is fully occupied by HMRC and is used for tax and benefits administrative purposes.

The Project Agreement extends to December 2013 and stipulates that during this term London and Regional provide certain services under a Service Level Agreement. The current net payment under the Project Agreement is currently £1,171,658.

# Emperor House

(General Office Portfolio)

Property Summary	
Property Type	Office
Region	London
Address	35 Vine Street, London EC3
Size	73,300 sq ft
Market Value	£43.8mm
Number of Leases	1
Net Initial Rent	£2.5mm
ERV	£2.5mm
Net Initial Yield	5.50%
Occupancy	100%
Tenure	Freehold

Emperor House is a prime London & Regional office asset located in the City. It was acquired by the London and Regional in 1999. Although this asset is of early 1980's construction, London & Regional have just completed an extensive full refurbishment of the building (2005-2006).

The property itself is arranged on sub-basement, basement, ground and six upper floors with the two upper stories incorporated within a mansard-style roof. It is of concrete frame construction with brick face elevations under a flat asphalt-covered roof, with double glazed aluminum framed windows throughout.

Field Fisher Waterhouse occupy the entirety of the building on a lease expiring 28 September 2018 (and a break option 29 September 2014). While they have leased the entire asset, there is a sub-let wine bar on the ground floor which is accessible via a separate entrance and is available to the general public.

The property is situated in the traditional insurance sector of the City on the Western side of Vine Street close to the junctions of India Street and Crosswall.

The current rent at Emperor House is £2,295,000 per annum. Following completion of the refurbishment project, London & Regional expected the rent to increase in line with a proportion of the expenditure incurred on improvements to £2,545,000 per annum. Negotiations with the tenant have not yet been concluded but until the matter is settled, possibly at Adjudication, the tenant has agreed to pay an enhanced rent of £2,455,000. The cashflows for the LoRDS II transaction have been modelled on the basis of £2,545,000 in rental income from the asset. Until this increase is agreed, a sum sufficient to cover the difference in rental income over the life of this financing will be reserved in escrow.

# America House

(General Office Portfolio)

Property Summary	
Property Type	Office
Region	London
Address	2 America Square, London EC3
Size	46,400 sq ft
Market Value	£23.0mm
Number of Leases	8
Net Initial Rent	£1.5mm
ERV	£0.9mm
Net Initial Yield	6.36%
Occupancy	100%
Tenure	Long Leasehold

America House is another prime London & Regional office asset located in the City. Constructed in the late 1980's, America House was acquired by London & Regional in 1999 and is now fully leased to a variety of companies, predominantly insurance based.

The property is arranged over basement, lower ground, ground and six upper floors. The top floor is incorporated into a mansard style roof. The property was constructed from a concrete frame with brick, granite stone and blue metal clad facing elevations.

America House is located in an area characterised by the presence of insurance companies and brokers along with other professional firms and banks.

Fenchurch Street mainline railway station is approximately two minutes walk from the property. The Tower Hill Underground station is similarly in close proximity.

The property is held on a leasehold basis for a term of 150 years from 31 March 1988 at a peppercorn rent without review.

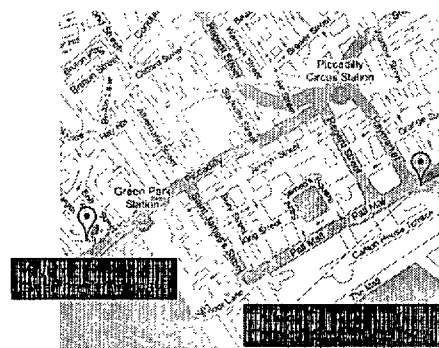
# Hotel Portfolio

London & Regional has extensive experience in the hotel investment market. The company is one of Europe's largest private owners of hotel investments with a portfolio of over 40 hotels in six countries, including the UK, Scandinavia and Germany.

In addition to the hotels in this transaction, prized assets in the London & Regional portfolio include The Hilton on Park Lane (Mayfair), The Hilton in Frankfurt and the Berns Hotel in Stockholm.

The Hotel Portfolio in this transaction comprises two trophy hotel assets that are Hilton branded and located in prime West End locations: (i) the Green Park Hotel and (ii) the Trafalgar Square Hotel.

## Geographic Distribution (% by Market Value)



Asset Overview <sup>(1)</sup>													
Asset Name	Town	Region	Main Use	# of Leases	MV (£ MM)	% of Total	Rent <sup>(2)</sup> (£ MM)	% of Total	ERV <sup>(2)</sup> (£ MM)	NIY	Area (sq ft) <sup>(3)</sup>	Occupancy	Tenure
Trafalgar Sq. Hotel	London	London	Hotel	2	54.9	52%	3.0	51%	3.0	5.3% <sup>(4)</sup>	5,000	100%	Long LH <sup>(5)</sup>
Green Park Hotel	London	London	Hotel	1	50.0	48%	2.8	49%	2.8	5.3%	0	100%	LH / FH <sup>(6)</sup>
<b>Total</b>				<b>3</b>	<b>104.9</b>	<b>100%</b>	<b>5.8</b>	<b>100%</b>	<b>5.8</b>		<b>5,000</b>	<b>100%</b>	

### Notes

1. Values may not sum exactly to the numbers in the "Total" row due to rounding
2. Net of all costs and headlease obligations
3. No areas given for the hotel assets – the 5,000 sq. ft. refers to a restaurant lease in the Trafalgar Hilton Hotel. There are a total of 291 rooms in this sub-portfolio
4. The NIY is calculated on the basis of reduced purchaser's costs (2.25% versus 5.75%)
5. The Trafalgar Square Hotel leasehold extends 150 years to 2151. London & Regional are expected to pay £488,000 in 2006 for the leasehold
6. A small parcel of ancillary land at the rear of the asset is owned on a long leasehold basis at a fixed rent of £8 p.a.

## Trafalgar Square Hotel

Property Summary	
Property Type	Hotels
Region	London
Address	24-34 Cockspur Street, London
Size	129 Rooms & 5,000 sq ft restaurant
Market Value	£54.9mm
Number of Leases	2
Net Initial Rent	£3.0mm
Estimated Rental Value (ERV)	£3.0mm
Net Initial Yield	5.26% <sup>(2)</sup>
Occupancy	100%
Tenure	Long Leasehold

2006 is £3,300,000, including base and turnover rent. There is an additional £200,000 per annum received from a separate restaurant tenancy which will be for a term expiring May 2026 and is subject to a minimum fixed uplift in 2010 when the rent will increase to £226,281 per annum (2.5 per cent. per annum compounded).

The property is held long leasehold and subject to a head rent which is calculated based on a fixed base rent of £36,750 per annum in respect of the restaurant premises and 5 per cent. of turnover for the hotel premises; the rent which is currently payable is £488,000. Any increase in head rent due to the turnover growing would be compensated by a parallel increase in rent.

The property is valued at £54,900,000 reflecting a Net Initial Yield (NIY) of 5.26 per cent, assuming the property is disposed of through a company sale with costs of only 2.25% as a consequence. If sold through an asset sale, the value would be £53,000,000 with 5.625 per cent. purchaser's costs.

London & Regional developed and completed the Trafalgar Square Hotel in 2001 and opened it under the Hilton brand. The company acquired the original property in 1999.

The Trafalgar Hilton is located in the heart of the West End at the foot of one of London's most famous landmarks – Nelson's Column in Trafalgar Square.

This full service hotel provides 129 bedrooms with all the usual facilities associated with the prestigious Hilton brand.

The Hotel is leased to Stakis Ltd.<sup>1</sup> for a term expiring May 2026. Current projected passing rent in

## Green Park Hotel

Property Summary	
Property Type	Hotels
Region	London
Address	27-41 Half Moon Street, London
Size	162 Rooms
Market Value	£50.0mm
Number of Leases	1
Net Initial Rent	£2.8mm
ERV	£2.8mm
Net Initial Yield	5.30%
Occupancy	100%
Tenure	Freehold / Leasehold <sup>(3)</sup>

The property is valued at £50,000,000 reflecting an NIY of 5.30 per cent. It is held freehold.

### Notes

1. Stakis Ltd. is a subsidiary of the Hilton Hotels Corporation
2. The NIY is calculated on the basis of reduced purchaser's costs (2.25 per cent. versus 5.75 per cent.)
3. A small parcel of ancillary land at the rear of the asset is owned on a long leasehold basis at a fixed rent of £8 p.a.

London & Regional acquired the Green Park Hotel in 2000 and substantially refurbished it in 2004.

The Green Park Hotel is Hilton branded and located on Half Moon Street in the heart of Mayfair, just off of Green Park. The property comprises 14 converted Georgian townhouses constructed over 4 storeys. In total, the hotel provides 162 bedrooms.

The Green Park Hotel is leased to Stakis Ltd.<sup>(1)</sup> for a further 18 years (expiring May 2024). The current rent passing is £2,800,000, which is fixed until 2014. From 2014 onwards, rent is geared to 33 per cent. of turnover.

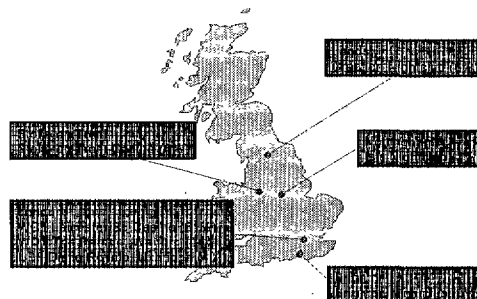
# Leisure Portfolio

This portfolio consists of seven assets located throughout the UK acquired five years ago as part of a sale and leaseback with First Leisure plc. Currently, the majority of the properties are operated as nightclubs by Luminar Leisure Ltd (UK's largest nightclub operator; 26.9 per cent. of rental income of the portfolio / 4.3 per cent. of the total portfolio income).

All of the Luminar Leisure Ltd leases are FRI and subject to uplifts that are capped and collared between 2 per cent. and 4 per cent. per annum compounded every five years at first and second review. Besides Luminar, there are 11 other tenants in this portfolio.

The largest asset is the Leicester Square Casino which accounts for 61 per cent. of this sub-portfolio's value

Geographic Distribution (% by MV)



Asset Overview <sup>(1)</sup>												
Asset Name	Town	Region	Main Use	# of Leases	MV (£ MM)	% of Total	Rent <sup>(2)</sup> (£ MM)	% of Total	ERV <sup>(3)</sup> (£ MM)	NIY	Area (sq ft) <sup>(4)</sup>	Occupancy Tenure
Leicester Sq Casino <sup>(4)</sup>	London	London	Leisure	1	52.3	61%	2.5	57%	2.9	4.6% <sup>(5)</sup>	93,846	100% Freehold
Watford Mixed Use	Watford	London	Leisure	6	11.9	14%	0.7	15%	0.7	5.4%	53,790	100% Freehold
Creation Nightclub	Leeds	York & Humberside	Leisure	1	6.4	8%	0.4	8%	0.4	5.4%	36,940	100% Freehold
Stoke on Trent Casino	Stoke on Trent	West Midlands	Leisure	2	4.8	6%	0.3	6%	0.3	5.3%	32,028	100% Freehold
Brighton Nightclub	Brighton	South East	Leisure	1	4.2	5%	0.2	5%	0.2	5.1%	38,086	100% Freehold
Disco Royale	Uxbridge	London	Leisure	4	3.0	4%	0.2	4%	0.2	5.6%	32,837	100% Freehold
Isis Nightclub	Nottingham	East Midlands	Leisure	1	2.8	3%	0.2	5%	0.2	6.0%	24,798	100% Freehold
<b>Total</b>				<b>16</b>	<b>85.3</b>	<b>100%</b>	<b>4.4</b>	<b>100%</b>	<b>4.8</b>		<b>312,325</b>	<b>100%</b>

Tenant Rent Roll in Leisure Portfolio									
Tenant Name	# of Leases	Asset	Rent (£ pa)	Rent (£/sq ft)	% of Total	Area (sq ft) <sup>(3)</sup>	% of Total	Break Date	Expiry Date
London Clubs LSQ Ltd <sup>(4)</sup>	1	Leicester Sq Casino	2,525,000	26.91	57.2%	93,846	30.0%		23-Jun-30
Luminar Leisure Ltd	4	Various <sup>(6)</sup>	1,190,000	8.89	26.9%	133,911	42.9%		23-Jun-26
J Eftekhari Esq	1	Isis Nightclub	202,873	8.18	4.6%	24,798	7.9%		23-Jun-26
Stanley Leisure	1	Stoke on Trent Casino	225,000	9.60	5.1%	23,449	7.5%		14-Feb-31
Garner Bennett (Office Supplies) Ltd <sup>(7)</sup>	1	Stoke on Trent Casino	35,000	4.08	0.8%	8,579	2.7%		01-Jun-11
Ultra Health & Nutrition Ltd	1	Disco Royale	19,000	4.05	0.4%	4,695	1.5%		23-Jun-09
D & L E Tressider	2	Disco Royale	21,950	3.32	0.5%	6,621	2.1%		10-Oct-07
Alliance & Leicester plc	1	Watford Mixed Use	10	0.01	0.0%	1,341	0.4%		15-Jan-35
Aitchison Raffety Ltd	1	Watford Mixed Use	24,750	44.35	0.6%	558	0.2%		24-Mar-08
Elliott and Partners Ltd	1	Watford Mixed Use	23,000	40.71	0.5%	565	0.2%		31-Aug-09
Iceland Foods plc	1	Watford Mixed Use	150,000	10.74	3.4%	13,962	4.5%	28-Jun-16	25-Jun-26
Eastern Electricity plc	1	Watford Mixed Use	5	N/A	0.0%	0	0.0%		28-Sep-48
<b>(No Headlease Charges to Subtract)</b>									
<b>Total</b>	<b>16</b>		<b>4,416,588</b>	<b>14.14</b>	<b>100.0%</b>	<b>312,325</b>	<b>100.0%</b>		

## Notes

- Values may not sum exactly to the numbers in the "Total" row due to rounding
- Net of all costs and headlease obligations
- Office and Leisure assets show NIA while the Retail assets show gross GLA and IZLA, whichever appropriate
- Includes a stabilised rental figure of £2,525,000 p.a. On 07 September 2006 a partial rent free expires, increasing rent from £525,000 to £2,525,000
- Implied NIY assuming the stabilised rent of £2,525,000 payable starting in September 2006 and 5.75 per cent. sales costs added to the MV
- Luminar's leases are in Brighton (the Brighton Nightclub), Uxbridge (Disco Royale), Leeds (Creation Nightclub), and Watford (Watford Mixed Use asset)
- Garner Bennett lease to be completed in early July



## Leicester Square Casino

Property Summary	
Property Type	Leisure
Region	London
Address	5-6 Leicester Square, London WC1
Size	93,846 sq ft
Market Value	£52.3mm
Number of Leases	1
Net Initial Rent	£2.5mm
ERV	£2.9mm
Net Initial Yield	4.57% <sup>(1)</sup>
Occupancy	100%
Tenure	Freehold

London and Regional acquired the Leicester Square Casino in 2001 as part of the First Leisure plc sale and leaseback portfolio.

The property was originally leased to First Leisure Ltd and Empire Cinemas. The asset is now let on a single lease to London Clubs LSQ Ltd<sup>(2)</sup>. The building comprises a nightclub, cinema and some office accommodation, and forms a substantial block of real estate on the northern side of Leicester Square. The original nightclub is in the process of being extensively refurbished and redeveloped by the new tenant and is scheduled to re-open as a casino in March 2007. The cinema has been operating continuously throughout this period.

Leicester Square is a major tourist destination, located in the heart of the West End with Piccadilly Circus and Covent Garden in close proximity to the West and East, respectively, and Soho and Trafalgar Square adjacent to the South and North.

Leicester Square is easily accessible by Underground services to Piccadilly Circus (Piccadilly and Bakerloo Lines) and Leicester Square (Piccadilly and Northern Lines).

The property is let in its entirety to London Clubs LSQ Ltd for a term of 25 years from 24 June 2005, expiring 23 June 2030. The lease is subject to a rent free period expiring 07 September 2006. The annual rent passing under the lease will be £2,525,000. £525,000 of this rent relates to an underlease to Empire Cinemas which is payable throughout the rent-free period.

## Watford Mixed Use

Property Summary	
Property Type	Leisure
Region	London
Address	125-133 The Parade, Watford
Size	53,790 sq ft
Market Value	£11.9mm
Number of Leases	6
Net Initial Rent	£0.7mm
ERV	£0.7mm
Net Initial Yield	5.39%
Occupancy	100%
Tenure	Freehold

The Watford Mixed Use asset was also acquired in 2001 as part of the First Leisure sale and leaseback portfolio.

The property houses Luminar Leisure Ltd's flagship nightclub – Destiny. The club is arranged over two floors and extends to 37,364 sq ft. In total, the asset comprises 53,790 sq. ft. arranged over a single three storey building and three adjoining two storey retail units. The nightclub occupies the first and second floors of 125 The Parade above the Iceland and other units. The nightclub has a self-contained ground floor entrance and substantial parking facilities at the rear.

Watford is located in South Hertfordshire just beyond the northern boundary of Greater London. The town enjoys good accessibility with good rail and underground links as well as good road access onto the M1 and M25.

The club is located at the end of the leisure zone of the town.

Adjoining uses include furniture, services and grocery stores and a number of bars and restaurants.

The property is fully let to six tenants producing an annual net rent of £677,765 per annum. The largest tenant is Luminar Leisure Ltd who account for 71 per cent. of the total net rent. Iceland Foods plc. is another major tenant (22 per cent. of rental income). The remaining space is occupied by three estate agencies.

### Notes

1. Implied NIY assuming the stabilized rent of £2,525,000 payable starting in September 2006 and 5.75 per cent. sales costs added to the MV
2. The London Clubs LSD lease is fully guaranteed by the parent, London Clubs International plc

# Retail / Other Portfolio

London & Regional has extensive experience in the retail property sector, dating back to 1987. The company has undertaken strategic acquisitions of single retail assets, completed substantial sale and leaseback acquisitions of portfolios of retail investments and developed retail properties.

In addition to the 2002 refurbishment and reconfiguration of the Stratford-upon-Avon site, London & Regional is currently developing a shopping centre in Cumbernauld, Scotland.

In this sub-portfolio, London & Regional will be securitising six properties of mixed use (two single-let assets and four multi-let assets). These properties are predominantly of retail use with other uses including office, car parking, advertising hoardings, and residential.

## Geographic Distribution (% by MV)



### Asset Overview<sup>(1)</sup>

Asset Name	Town	Region	Main Use	# of Leases	MV (£ MM)	% of Total Rent <sup>(2)</sup> (£ MM)	% of Total ERV <sup>(2)</sup> (£ MM)	NIY	Area (sq ft) <sup>(3)</sup>	Occupancy	Tenure
Camden High Street	London NW1	London	Retail/ Office	6	28.4	36%	1.6	37%	48,610	100%	Freehold
Stratford-upon-Avon Town Sq.	Stratford	West Midlands	Retail/Other	38	26.7	34%	1.4	32%	60,912	94%	LH / FH
The Ebbisham Centre	Epsom	South East	Retail/Other	16	17.2	22%	1.1	24%	156,210	100%	Long LH <sup>(4)</sup>
Hampstead High Street	London NW3	London	Retail/Other	7	3.5	4%	0.2	4%	3,489	100%	Freehold
Alexander Place	London N11	London	Advert. Hoarding	1	1.2	2%	0.1	2%	0	100%	Freehold
Northbrook Street	Newbury	South East	Retail	1	0.9	1%	0.1	1%	488	100%	Freehold
<b>Total</b>				<b>69</b>	<b>77.8</b>	<b>100%</b>	<b>4.5</b>	<b>100%</b>	<b>269,709</b>	<b>99%</b>	

### Top 10 Tenants in Retail / Other Portfolio

Tenant Name	# of Leases	Asset	Rent (£ pa)	Rent (£/sq ft)	% of Total	Area (sq ft) <sup>(5)</sup>	% of Total	Break Date	Expiry Date
British Diabetic Association	1	Camden High Street	568,532	34.13	12.8%	16,660	6.2%		21-Oct-16
Virgin Retail Ltd	1	Camden High Street	570,000	28.86	12.8%	19,750	7.3%		22-Apr-21
Holmes Place plc	1	The Ebbisham Centre	366,910	5.95	8.2%	61,646	22.9%		24-Dec-35
Retail Space (Camden) Ltd	1	Camden High Street	225,000	N/A	5.1%	0	0.0%	01-Aug-11	01-Aug-16
GPS (Great Britain) Ltd	1	Camden High Street	222,500	20.70	5.0%	10,748	4.0%	15-Feb-16	15-Feb-21
H & M Hennes Ltd	1	Stratford-upon-Avon - Town Sq.	178,887	45.80	4.0%	3,906	1.4%	23-Jun-13	23-Jun-17
National Car Parks Ltd	2	Ebbisham / Stratford	262,750	9.04	5.9%	29,073	10.8%		Various <sup>(5)</sup>
Messrs McKee Harris & Others	1	The Ebbisham Centre	162,850	19.20	3.7%	8,482	3.1%		24-Dec-25
Birthdays Ltd	1	Stratford-upon-Avon - Town Sq.	115,000	73.62	2.6%	1,562	0.6%		23-Jun-17
Yates Group plc	1	The Ebbisham Centre	112,500	15.49	2.5%	7,265	2.7%		24-Dec-35
<b>Top 10 Total</b>	<b>11</b>		<b>2,784,929</b>	<b>17.51</b>	<b>62.5%</b>	<b>159,092</b>	<b>59.0%</b>		
<b>Others</b>	<b>58</b>		<b>1,836,397</b>	<b>16.60</b>	<b>41.2%</b>	<b>110,617</b>	<b>41.0%</b>		
<b>(Minus Headlease Charges)</b>			<b>(167,712)</b>	<b>N/A</b>	<b>(3.8%)</b>	<b>N/A</b>	<b>N/A</b>		
<b>Total</b>	<b>69</b>		<b>4,453,614</b>	<b>16.51</b>	<b>100.0%</b>	<b>269,709</b>	<b>100.0%</b>		

#### Notes

- Values may not sum exactly to the numbers in the "Total" row due to rounding
- Net of all costs and headlease obligations
- Office and Leisure assets show N/A while the Retail assets show GLA or ITZA, whichever appropriate
- Very long headlease (125 years) at a peppercorn rent
- The Ebbisham lease expires 24 March 2026, while the Stratford-upon-Avon - Town Square lease expires 03 January 2022

## Camden High Street

Property Summary	
Property Type	Retail/Office
Region	London
Address	211 Camden High Street, London NW1
Size	48,610 sq ft
Market Value	£28.4mm
Number of Leases	6
Net Initial Rent	£1.6mm
ERV	£1.4mm
Net Initial Yield	4.68%
Occupancy	100%
Tenure	Freehold

Camden High Street property occupies a prime retail location in North-West London and the block was redeveloped by London & Regional in 1999.

The Camden asset consists of two ground-floor retail units and three upper floors of offices situated on Parkway and ground-floor / first-floor retail units, with 14 residential flats above, on High Street. A covered market is also being developed in the interior courtyard of the building. The entire site is within 50m of Camden Town tube station.

The property is 100% let and occupied by five commercial tenants, with the sixth lease to represent a collection of peppercorn ground leases on 14 residential units. The largest two tenants – Virgin Retail Ltd (15 years unexpired) and the British Diabetic Association (11 years unexpired) accounting for 34.7 per cent. and 34.6 per cent. of the rent respectively.

## Stratford-upon-Avon Town Square

Property Summary	
Property Type	Retail / Other
Region	West Midlands
Address	High Street / Wood Street, Stratford
Size	60,912 sq ft
Market Value	£26.7mm
Number of Leases	38
Net Initial Rent	£1.4mm
ERV	£1.6mm
Net Initial Yield	4.94%
Occupancy	94%
Tenure	LH / FH

London & Regional acquired this retail space in the heart of Stratford-upon-Avon in 1999. London and Regional proceeded to substantially refurbish and refigure the space in 2002. Today the Town Square retail asset comprises 32 units with a gross internal area in the region of 80,000 sq ft.

The property comprises a purpose-built shopping centre in Stratford-upon-Avon located just off the town's two principal thoroughfares – High Street and Wood Street. The property is accessed via four entrances, each leading to the central square. The property is in the centre of the town and benefits from a multi storey car park to the rear of the property.

Stratford-upon-Avon is situated in the centre of Warwickshire, approximately 25 miles south east of Birmingham city centre. The town is a major tourist destination due to its connection with William Shakespeare. The population of Stratford-upon-Avon is approximately 22,000 with a further 111,000 in the surrounding area. The town has good road access and train links.

The centre is anchored by H & M Hennes Ltd (12.6 per cent. of net rent) with other large tenants including National Car Parks Ltd (13.4 per cent.), Birthdays Ltd (8.1 per cent.), and JJB Sports (6.7 per cent.). The centre is c. 94 per cent. let with a total of 28 occupational tenants together with a number of long leases bearing peppercorn rents

The property is held part freehold and part leasehold (leasehold charge of £167,712 p.a.)

## VALUATION REPORTS

Following are executive summaries of the Valuation Reports. The full Valuation Reports (the **Valuation Reports**) are reproduced on the CD-ROM distributed contemporaneously with this Offering Circular.

**DTZ DEBENHAM TIE LEUNG LIMITED**

**YOUR REF:**

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**17 JULY 2006**

**LONDON AND REGIONAL PROPERTIES LIMITED**

6<sup>th</sup> Floor  
105 Wigmore Street  
London W1U 1QY  
**(Applicant)**

**LR ESTATES LIMITED, LR (CARDIFF) LIMITED, LR INVESTMENTS LIMITED, BAYFORD PROPERTIES LIMITED, WIDERACE LIMITED, MARSHSET LIMITED, LR (SOUTH EASTERN) LIMITED, LONDON & REGIONAL (SHEFFIELD) LIMITED, RUBTRADE LIMITED, LONDON & REGIONAL (BEWLAY HOUSE) LIMITED, LONDON & REGIONAL (STOCKPORT) LIMITED, HAYMARKET SPV LIMITED AND COCHRANE SQUARE SPV LIMITED**

6<sup>th</sup> Floor  
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London W1U 1QY  
**(Chargors)**

**LONDON & REGIONAL PORTFOLIO FINANCIAL LIMITED**

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2 Fore Street  
London EC2Y 5DH  
**(Borrower)**

**LONDON & REGIONAL DEBT SECURITISATION NO.2 PLC**

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London EC2Y 5DH  
**(Issuer)**

**THE BANK OF NEW YORK**

48<sup>th</sup> Floor, One Canada Square  
London E14 5AL  
**(Security and Note Trustee)**

**MORGAN STANLEY AND CO. INTERNATIONAL LIMITED**

20 Cabot Square  
Canary Wharf  
London  
E14 4QW  
**(Lead Manager)**

**DEAR SIRS**

<b>APPLICANT:</b>	<b>LONDON &amp; REGIONAL PROPERTIES LIMITED</b>
<b>Properties:</b>	<b>Emperor House, 35 Vine Street, London EC3</b>
	<b>211-219 Camden High Street, London NW1</b>
	<b>America House, 2 America Square, London EC3</b>
	<b>Elgin House, Haymarket Yards, Edinburgh</b>
	<b>The Ebbisham Centre, Waterloo Road, Epsom</b>
	<b>Cotton House, Cochrane Square, Glasgow</b>
	<b>Bewlay House, 32/32a Jamestown Road, London NW1</b>
	<b>Epworth House, 25-35 City Road, London EC1</b>
	<b>Archer House, London Road, Stockport</b>
	<b>Derwent House, 150 Arundel Gate, Sheffield</b>
	<b>Southfields Business Park, Sylvan Way, Basildon</b>
	<b>73-74 High Street, Hampstead, London NW3</b>
	<b>Peer House, 8-14 Verulam Street, London WC1</b>
	<b>Conway House, St Mellons Business Park, Cardiff</b>
	<b>2 Tavistock Place, London WC1</b>
	<b>Land on the north west side of Telford Road Southgate</b>
	<b>98 Northbrook Street, Newbury</b>

## 1. Terms of instruction, confidentiality and disclosure

### 1.1 Loan proposition

We understand that London and Regional Properties Limited (the **Applicant**) intends to refinance the Properties. We understand that our report and valuation (the **Valuation Report**) is required to assist you in considering the suitability of the properties as security for a commercial mortgage advance, secured by way of a fixed first legal charge over the interests valued in this report (the **Transaction**). We have not been made familiar with the details of the loan proposal.

### 1.2 Our appointment

In accordance with your draft letter of instruction, received on 26 April 2006 (Appendix A), we have valued the freehold and leasehold interests in the Properties, as at 17 July 2006, in connection with the proposed loan facility. The Properties are described in our Full Valuation Report and the contents of this certificate are to be read in conjunction with the caveats and assumptions contained therein .

### 1.3 Inspections

The Properties were inspected between 27 April 2006 and 8 May 2006. We were able to inspect all of the Properties.

We have set out below a schedule detailing the surveyor who inspected each property, the date of the inspections and any restrictions to the inspections:-

SECTION NO	ADDRESS	DATE OF INSPECTION	SURVEYOR	RESTRICTIONS TO INSPECTION
2	EMPEROR HOUSE, 35 VINE STREET, LONDON EC3	02-MAY-06	JAMES GRIGG MRICS	NONE.
3	211-219 CAMDEN HIGH STREET,	27-APR-06	VICKI RUDKEN MRICS	NO ACCESS TO RESIDENTIAL

SECTION NO	ADDRESS	DATE OF INSPECTION	SURVEYOR	RESTRICTIONS TO INSPECTION
	LONDON NW1			FLATS.
4	AMERICA HOUSE, 2 AMERICA SQUARE, LONDON EC3	02-MAY-06	JAMES GRIGG MRICS	NONE.
5	ELGIN HOUSE, HAYMARKET YARDS, EDINBURGH	28-APR-06	HOWARD OUNSLEY MRICS	NONE.
6	THE EBBISHAM CENTRE, WATERLOO ROAD, EPSOM	02-MAY-06	DAVID WAITE MRICS	NONE.
7	COTTON HOUSE, COCHRANE SQUARE, GLASGOW	02-MAY-06	JENNIFER ENGLISH MRICS	UNABLE TO INSPECT SOME STORAGE ROOMS AND BOARDROOMS.
8	BEWLAY HOUSE, 32/32A JAMESTOWN ROAD, LONDON NW1	27-APR-06	VICKI RUDKEN MRICS	NONE.
9	EPWORTH HOUSE, 25-35 CITY ROAD, LONDON EC1	03-MAY-06	JAMES GRIGG MRICS	NONE.
10	ARCHER HOUSE, LONDON ROAD, STOCKPORT	28-APR-06	RUSSELL HEFFERAN MRICS	NONE.
11	DERWENT HOUSE, 150 ARUNDEL GATE, SHEFFIELD	03-MAY-06	JULIE TAYLOR MRICS	UNABLE TO INSPECT SEVERAL MEETING ROOMS.
12	SOUTHFIELDS BUSINESS PARK, SYLVAN WAY, BASILDON	28-APR-06	DAVID WAITE MRICS	WE WERE ONLY ABLE TO INSPECT A REPRESENTATIVE SAMPLE OF UNITS.
13	73-74 HIGH STREET, HAMPSTEAD, LONDON NW3	08-MAY-06	ALISTAIR OATES MRICS	NONE.
14	PEER HOUSE, 8-14 VERULAM STREET, LONDON WC1	03-MAY-06	JAMES GRIGG MRICS	NONE.
15	CONWAY HOUSE, ST MELLONS BUSINESS PARK, CARDIFF	28-APR-06	TOM PRIEST MRICS	NONE.
16	2 TAVISTOCK PLACE, LONDON WC1	04-MAY-06	JAMES GRIGG MRICS	NONE.
17	LAND ON THE NORTH WEST SIDE OF TELFORD ROAD SOUTHGATE,	04-MAY-06	JONATHAN GOODE MRICS	NONE.

SECTION NO	ADDRESS	DATE OF INSPECTION	SURVEYOR	RESTRICTIONS TO INSPECTION
18	98 NORTHBROOK STREET, NEWBURY	02-MAY-06	DAVID WAITE MRICS	NONE.

#### 1.4 Compliance with Appraisal and Valuation Standards

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

#### 1.5 Status of valuer and conflicts of interest

We confirm that we have undertaken the valuations acting as an External Valuer, qualified for the purpose of the valuation.

We confirm that DTZ Debenham Tie Leung (DTZ) have previously provided valuation or investment advice to banks providing debt finance in respect of all of the Properties, with the exception of the property situated on land on the north west side of Telford Road, Southgate. We further confirm that DTZ provide valuation advice, in connection with the acquisition and debt financing of other properties for London and Regional Properties Limited.

We also confirm that DTZ provide debt valuation services to Morgan Stanley & Co. International Limited (the **Bank**). This has been discussed with the Bank and notwithstanding our previous involvement, the Bank has confirmed that we may proceed with the valuation.

We further confirm that we have had no previous recent involvement with the Properties or parties involved with the Transaction, other than as mentioned above and therefore, we do not consider that any conflict arises in preparing the advice requested.

#### 1.6 Bases of valuations

Our opinion of the Market Value of each of the Properties has been primarily derived using comparable recent market transactions on arm's length terms. We have also considered an additional basis for (i) Archer House London Road, Stockport; (ii) Elgin House, Haymarket Yards, Edinburgh; and (iii) Cotton House, Cochrane Square, Glasgow (together the **PFI Properties**). Due to the specialised nature of the PFI properties, there is limited market based evidence available and therefore we have used an estimate of the future potential net income generated by the use of these Properties.

In accordance with your instructions, we have undertaken our valuations on the following bases:-

- a. Estimated Rental Value
- b. Market Value

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

In addition you have requested that we provide additional valuations on the following bases: -

- a. Market Value assuming vacant possession throughout
- b. Market Rent



In preparing our valuations on these bases it is necessary for us to prepare valuations on a Special Assumption. A Special Assumption is referred to in the Glossary in the Red Book as an *Assumption that either:*

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

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

Our valuations are subject to our standard valuation terms, conditions and Assumptions which are included in Appendix C. In the event that any of our assumptions prove to be incorrect then our valuations should be reviewed.

## 1.7 Equivalent yields

There are references in this report to both NEY (Ann in arr) and TEY (Qly in adv). These terms are defined as follows:-

NEY (Ann in arr) = Nominal equivalent yield (annually in arrears). In order to calculate a NEY (Ann in arr) it is assumed that the rental is paid annually in arrears, even though this is not actually the case.

TEY (Qly in adv) = True equivalent yield (quarterly in advance). In order to calculate a TEY the actual timing of the rental payments is reflected, so that if rent is payable quarterly in advance the term TEY (Qly in adv) is used.

## 1.8 Valuation summary

### 1.8.1 Estimated Rental Value

We are of the opinion that the aggregate Estimated Rental Value (ERV) of the Portfolio described in detail in the following report sections, assessed in accordance with the rent review provisions in the leases, as at 11 July 2006, subject to the Assumptions and comments in this Valuation Report and the appendices, is:-

**£13,499,684**  
**(THIRTEEN MILLION FOUR HUNDRED AND NINETY NINE THOUSAND SIX HUNDRED AND EIGHTY**  
**FOUR POUNDS)**  
**PER ANNUM EXCLUSIVE**

The ERV apportionments are set out in the table below:-

SECTION NO	ADDRESS	TENURE	ERV (£ PER ANNUM EXCLUSIVE)
2	EMPEROR HOUSE, 35 VINE STREET, LONDON EC3	FREEHOLD	£2,545,000
3	211-219 CAMDEN HIGH STREET, LONDON NW1	FREEHOLD	£1,423,200

SECTION NO	ADDRESS	TENURE	ERV (£ PER ANNUM EXCLUSIVE)
4	AMERICA HOUSE, 2 AMERICA SQUARE, LONDON EC3	LONG LEASEHOLD FOR 150 YEARS FROM 31 MARCH 1988 AT A PEPPERCORN RENT.	£933,000
5	ELGIN HOUSE, HAYMARKET YARDS, EDINBURGH	HERITABLE TITLE (SCOTTISH EQUIVALENT OF FREEHOLD).	£1,128,000
6	THE EBBISHAM CENTRE, WATERLOO ROAD, EPSOM	LONG LEASEHOLD FOR 125 YEARS FROM 25 MARCH 1999 AT A PEPPERCORN RENT.	£1,141,250
7	COTTON HOUSE, COCHRANE SQUARE, GLASGOW	HERITABLE TITLE (SCOTTISH EQUIVALENT OF FREEHOLD).	£990,000
8	BEWLAY HOUSE, 32/32A JAMESTOWN ROAD, LONDON NW1	LONG LEASEHOLD FROM 25 MARCH 1998 FOR 999 YEARS AT A PEPPERCORN RENT.	£1,113,000
9	EPWORTH HOUSE, 25-35 CITY ROAD, LONDON EC1	LONG LEASEHOLD FOR 999 YEARS FROM 25 MARCH 1902 AT £830 PER ANNUM.	£1,144,430
10	ARCHER HOUSE, LONDON ROAD, STOCKPORT	LONG LEASEHOLD FROM 22 DECEMBER 1998 AT A PEPPERCORN RENT.	£520,800
11	DERWENT HOUSE, 150 ARUNDEL GATE, SHEFFIELD	LONG LEASEHOLD FOR 150 YEARS FROM 6 AUGUST 2001 AT A PEPPERCORN RENT.	£936,730
12	SOUTHFIELDS BUSINESS PARK, SYLVAN WAY, BASILDON	FREEHOLD	£680,650
13	73-74 HIGH STREET, HAMPSTEAD, LONDON NW3	FREEHOLD	£204,224
14	PEER HOUSE, 8-14 VERULAM STREET, LONDON WC1	FREEHOLD	£228,400
15	CONWAY HOUSE, ST MELLONS BUSINESS PARK, CARDIFF	LONG LEASEHOLD FOR 250 YEARS FROM 23 MARCH 1989 AT A PEPPERCORN RENT.	£224,000
16	2 TAVISTOCK PLACE, LONDON WC1	FREEHOLD	£150,500
17	ADVERTISING HOARDINGS, ALEXANDER PLACE/LOWER PARK ROAD, NEW SOUTHGATE, LONDON N11	FREEHOLD	£82,500
18	98 NORTHBROOK STREET, NEWBURY	FREEHOLD	£54,000
<b>TOTAL</b>			<b>£13,499,684</b>

## 1.8.2 Market Value

We are of the opinion that the aggregate Market Value of the Portfolio described in detail in the following report sections subject to the existing tenancies, as at 11 July 2006, subject to the Assumptions and comments in this Valuation Report and the Appendices, is:-

**£226,975,000**

**(TWO HUNDRED AND TWENTY SIX MILLION NINE HUNDRED AND SEVENTY FIVE THOUSAND POUNDS)**

The Market Value apportionments are set out in the table below:-

SECTION NO	ADDRESS	MARKET VALUE (£)	NET INITIAL YIELD (NIY)	NOMINAL EQUIV YIELD (NEY)	TRUE EQUIV YIELD (TEY)
2	EMPEROR HOUSE, 35 VINE STREET, LONDON EC3	£43,755,000	5.50%	5.50%	5.69%
3	211-219 CAMDEN HIGH STREET, LONDON NW1	£28,350,000	4.67%	5.01%	5.18%
4	AMERICA HOUSE, 2 AMERICA SQUARE, LONDON EC3	£22,960,000	6.39%	4.70%	4.87%
5	ELGIN HOUSE, HAYMARKET YARDS, EDINBURGH	£17,380,000	6.04%	6.25%	6.50%
6	THE EBBISHAM CENTRE, WATERLOO ROAD, EPSOM	£17,190,000	5.9%	6.2%	6.45%
7	COTTON HOUSE, COCHRANE SQUARE, GLASGOW	£17,060,000	6.49%	6.00%	6.25%
8	BEWLAY HOUSE, 32/32A JAMESTOWN ROAD, LONDON NW1	£16,450,000	5.42%	6.23%	6.47%
9	EPWORTH HOUSE, 25-35 CITY ROAD, LONDON EC1	£15,750,000	6.02%	6.77%	7.07%
10	ARCHER HOUSE, LONDON ROAD, STOCKPORT	£13,620,000	7.04%	5.00%	5.22%
11	DERWENT HOUSE, 150 ARUNDEL GATE, SHEFFIELD	£12,000,000	7.06%	7.10%	7.42%
12	SOUTHFIELDS BUSINESS PARK, SYLVAN WAY, BASILDON	£8,550,000	4.36%	6.78%	7.07%
13	73-74 HIGH STREET, HAMPSTEAD, LONDON NW3	£3,500,000	4.38%	5.42%	5.60%

SECTION NO	ADDRESS	MARKET VALUE (£)	NET INITIAL YIELD (NIY)	NOMINAL EQUIV YIELD (NEY)	TRUE EQUIV YIELD (TEY)
14	PEER HOUSE, 8-14 VERULAM STREET, LONDON WC1	£3,250,000	6.63%	6.63%	6.91%
15	CONWAY HOUSE, ST MELLONS BUSINESS PARK, CARDIFF	£3,175,000	7.00%	6.72%	7.01%
16	2 TAVISTOCK PLACE, LONDON WC1	£1,865,000	6.87%	7.48%	7.83%
17	ADVERTISING HOARDINGS, ALEXANDER PLACE/LOWER PARK ROAD, NEW SOUTHGATE, LONDON N11	£1,200,000	6.53%	6.50%	6.77%
18	98 NORTHBROOK STREET, NEWBURY	£920,000	5.24%	5.51%	5.70%
<b>TOTAL</b>		<b>£226,975,000</b>			

### 1.8.3 Market Value assuming vacant possession throughout

We are of the opinion that the aggregate Market Value of the Portfolio described in detail in the following report sections, assuming vacant possession throughout, as at 11 July 2006, subject to the Assumptions and comments in this Valuation Report and the Appendices, is:-

**£166,576,800**

**(ONE HUNDRED AND SIXTY SIX MILLION FIVE HUNDRED AND SEVENTY SIX THOUSAND EIGHT HUNDRED POUNDS)**

The Market Value apportionments, assuming vacant possession throughout are set out in the table below:-

SECTION NO	ADDRESS	MARKET VALUE ASSUMING VACANT POSSESSION (£)	NET INITIAL YIELD (NIY)	NOMINAL EQUIV YIELD (NEY)	TRUE EQUIV YIELD (TEY)
2	EMPEROR HOUSE, 35 VINE STREET, LONDON EC3	£30,650,000	N/A	6.50%	6.73%
3	211-219 CAMDEN HIGH STREET, LONDON NW1	£21,200,000	N/A	5.90%	6.10%
4	AMERICA HOUSE, 2 AMERICA SQUARE, LONDON EC3	£13,710,000	N/A	5.75%	5.94%
5	ELGIN HOUSE,	£13,300,000	N/A	7.00%	7.28%

SECTION NO	ADDRESS	MARKET VALUE ASSUMING VACANT POSSESSION (£)	NET INITIAL YIELD (NIY)	NOMINAL EQUIV YIELD (NEY)	TRUE EQUIV YIELD (TEY)
	HAYMARKET YARDS, EDINBURGH				
6	THE EBBISHAM CENTRE, WATERLOO ROAD, EPSOM	£14,440,000	N/A	6.75%	7.03%
7	COTTON HOUSE, COCHRANE SQUARE, GLASGOW	£11,290,000	N/A	7.00%	7.27%
8	BEWLAY HOUSE, 32/32A JAMESTOWN ROAD, LONDON NW1	£13,690,000	N/A	7.00%	7.30%
9	EPWORTH HOUSE, 25-35 CITY ROAD, LONDON EC1	£12,020,000	N/A	7.75%	8.09%
10	ARCHER HOUSE, LONDON ROAD, STOCKPORT	£6,300,000	N/A	6.75%	7.01%
11	DERWENT HOUSE, 150 ARUNDEL GATE, SHEFFIELD	£10,485,000	N/A	7.25%	7.56%
12	SOUTHFIELDS BUSINESS PARK, SYLVAN WAY, BASILDON	£7,677,000	N/A	7.50%	7.85%
13	73-74 HIGH STREET, HAMPSTEAD, LONDON NW3	£3,255,000	N/A	5.76%	5.97%
14	PEER HOUSE, 8-14 VERULAM STREET, LONDON WC1	£2,580,000	N/A	7.50%	7.83%
15	CONWAY HOUSE, ST MELLONS BUSINESS PARK, CARDIFF	£2,650,000	N/A	7.00%	7.28%
16	2 TAVISTOCK PLACE, LONDON WC1	£1,650,000	N/A	8.00%	8.39%
17	ADVERTISING HOARDINGS, ALEXANDER PLACE/LOWER PARK ROAD, NEW SOUTHGATE, LONDON N11	£984,800	N/A	7.50%	7.84%
18	98 NORTHBROOK STREET, NEWBURY	£695,000	N/A	7.00%	7.30%
<b>TOTAL</b>		<b>£166,576,800</b>			

#### 1.8.4 Market Rent

We are of the opinion that the aggregate Market Rent of the Portfolio described in detail in the following report sections, assuming vacant possession throughout, as at 11 July 2006, subject to the Assumptions and comments in this Valuation Report and the appendices, is:-

**£13,453,251**  
**(THIRTEEN MILLION FOUR HUNDRED AND FIFTY THREE THOUSAND TWO HUNDRED AND FIFTY**  
**ONE POUNDS)**  
**PER ANNUM EXCLUSIVE**

The Market Rent apportionments are set out in the table below:-

SECTION NO	ADDRESS	TENURE	MARKET RENT (£ PER ANNUM EXCLUSIVE)
2	EMPEROR HOUSE, 35 VINE STREET, LONDON EC3	FREEHOLD	£2,545,000
3	211-219 CAMDEN HIGH STREET, LONDON NW1	FREEHOLD	£1,419,100
4	AMERICA HOUSE, 2 AMERICA SQUARE, LONDON EC3	LONG LEASEHOLD FOR 150 YEARS FROM 31 MARCH 1988 AT A PEPPERCORN RENT.	£933,000
5	ELGIN HOUSE, HAYMARKET YARDS, EDINBURGH	HERITABLE TITLE (SCOTTISH EQUIVALENT OF FREEHOLD).	£1,128,000
6	THE EBBISHAM CENTRE, WATERLOO ROAD, EPSOM	LONG LEASEHOLD FOR 125 YEARS FROM 25 MARCH 1999 AT A PEPPERCORN RENT.	£1,104,017
7	COTTON HOUSE, COCHRANE SQUARE, GLASGOW	HERITABLE TITLE (SCOTTISH EQUIVALENT OF FREEHOLD).	£990,000
8	BEWLAY HOUSE, 32/32A JAMESTOWN ROAD, LONDON NW1	LONG LEASEHOLD FROM 25 MARCH 1998 FOR 999 YEARS AT A PEPPERCORN RENT.	£1,113,000
9	EPWORTH HOUSE, 25-35 CITY ROAD, LONDON EC1	LONG LEASEHOLD FOR 999 YEARS FROM 25 MARCH 1902 AT £830 PER ANNUM.	£1,144,430
10	ARCHER HOUSE, LONDON ROAD, STOCKPORT	LONG LEASEHOLD FROM 22 DECEMBER 1998 AT A PEPPERCORN RENT.	£528,900
11	DERWENT HOUSE, 150 ARUNDEL GATE, SHEFFIELD	FREEHOLD	£936,730
12	SOUTHFIELDS BUSINESS PARK,	FREEHOLD	£664,950

SECTION NO	ADDRESS	TENURE	MARKET RENT (£ PER ANNUM EXCLUSIVE)
	<b>SYLVAN WAY, BASILDON</b>		
13	73-74 HIGH STREET, HAMPSTEAD, LONDON NW3	FREEHOLD	£204,224
14	PEER HOUSE, 8-14 VERULAM STREET, LONDON WC1	FREEHOLD	£228,400
15	CONWAY HOUSE, ST MELLONS BUSINESS PARK, CARDIFF	LONG LEASEHOLD FOR 250 YEARS FROM 23 MARCH 1989 AT A PEPPERCORN RENT.	£224,000
16	2 TAVISTOCK PLACE, LONDON WC1	FREEHOLD	£150,500
17	ADVERTISING HOARDINGS, ALEXANDER PLACE/LOWER PARK ROAD, NEW SOUTHGATE, LONDON N11	FREEHOLD	£85,000
18	98 NORTHBROOK STREET, NEWBURY	FREEHOLD	£54,000
<b>TOTAL</b>			<b>£13,453,251</b>

We have assessed Market Rent in accordance with Practice Statement 3.4. Under these provisions the term "Market Rent" means 'the estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arms' length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion'.

Alternatively, the ERV is defined as the rent that will be achievable, based on comparable evidence, as if the property were let at the date of valuation on the current lease terms, having regard to any detailed rent review provisions creating a hypothetical rent at review, and excluding any 'upwards only' rent review provisions within the lease.

### 1.9 Confidentiality and disclosure

The contents of this Valuation Report and Appendices are confidential to the party to whom they are addressed, are for their use only and for the specific purpose of the Transaction. In respect of any unnamed party which may become involved in any offer or circular at some future date who are not specifically identified by name, no reliance may be placed upon this Valuation Report and its Appendices until such time as the identities of all such parties are notified to us in writing and it is further confirmed in writing that all such parties have seen the entirety of this Valuation Report and the letter of instruction. Consequently and in accordance with current practice, no responsibility is accepted to any other party in respect of the whole or any part of or any part of their contents.

Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless, where relevant, it incorporates adequate reference to the Special Assumptions referred to herein. For the avoidance of doubt, such approval is required wither or not DTZ Debenham Tie Leung Limited are referred to by name and whether or not the contents of the Valuation Report are combined with others.

Yours faithfully

**JONATHAN GOODE**  
**CHARTERED SURVEYOR**  
**DIRECTOR**  
FOR AND ON BEHALF OF  
DTZ DEBENHAM TIE LEUNG LIMITED



**CB RICHARD ELLIS LIMITED**

**SUMMARY OF VALUATION REPORTS**

This document has been prepared as a summary of the CB Richard Ellis Limited valuation reports dated 17 July 2006 for insertion into the London & Regional Debt Securitisation No.2 plc Offering Circular.

This report is provided as a summary document and should only be read in conjunction with the full report. For specific property details, including the individual property assumptions, refer to the specific reports (which have been provided separately).

**Report Date** 17 July 2006

**Addressees** London & Regional Properties Limited  
 London & Regional Debt Securitisation No.2 plc  
 The Bank of New York  
 Morgan Stanley and Co. International Limited  
 Am-Coff Limited, London & Regional (Empire) Limited, Cornice Properties Limited, Richian Limited, London & Regional (Green Park Hotel) Limited, LR (Stratford) Limited

**The Properties** As listed in the Schedule of Capital Values set out below.

**Instruction** To value on the basis of Market Value the Properties as at the valuation date in accordance with the instruction letter provided by London & Regional Properties dated 11 May 2006.

**Floor Areas (sq ft)**

<b>The Properties</b>	<b>Leisure</b>	<b>Retail</b>	<b>Com- mercial</b>	<b>Total Area</b>	<b>Description</b>
<b>Creations Nightclub</b> 78 West Street Brighton East Sussex BN1 2RA	33,577	N/A	4,509	38,086	A brick building located within the main leisure precinct of Brighton. The property comprises basement, ground and first floor to the West Street elevation with basement, ground and four upper floors to the Middle Street elevation. The property includes three separate nightclub areas and has a licensed capacity of 1,786 patrons.
<b>The Empire</b> Leicester Square London WC2H 7NA	93,846	N/A	N/A	93,846	The property was originally constructed in the 1920's as a cinema. The property has been extensively refurbished and altered in the 1960's and is currently undergoing another extensive

					refurbishment and alteration. The current works project will see the cinema component within the property decreased and a former nightclub within the complex converted to a casino. The casino will occupy the subbasement, basement levels one and two, level 0, ground level and two mezzanine levels.
<b>Creations Nightclub</b> 55 Cookridge Street Leeds LS1 3AW	36,940	N/A	N/A	36,940	A former cinema/theatre building originally built in the 1920's of brick construction. The property is configured to provide nightclub accommodation over the basement, ground and three upper levels. The property is situated within the northern fringe of the Leeds city centre.
<b>ISIS Nightclub</b> Redfield Road Lenton Nottingham NG7 2UW	24,798	N/A	N/A	24,798	A two storey building of steel framed and cavity brick construction. The property has been internally fitted out as a nightclub. It is located in an out of town area predominantly surrounded by leisure uses including a cinema complex, bowling complex and numerous bars and restaurants.
<b>Stoke Circus Casino and Ranger House</b> 30 Etruria Road Stoke-on-Trent ST1 5NH	23,665	N/A	8,579	32,244	The property comprises a former nightclub building that was at the time of inspection undergoing an extensive refurbishment to be converted into a casino. In addition there is a separate warehouse unit located to the rear of the property.
<b>Disco Royale</b> 233 High Street Uxbridge UB8 1LD	31,291	6,481	N/A	37,772	A three story building of brick construction. The property is configured to provide ground floor night club, first floor vacant office accommodation and fitness club and a snooker club.
<b>Destiny Nightclub</b> The Parade High Street Watford	45,351	14,135	3,796	63,282	The property Comprises two distinct buildings. The larger building is of steel frame and precast concrete construction and houses the nightclub and supermarket. The smaller building is constructed of cavity brick construction.
<b>Hilton Green Park Hotel</b>	N/A	N/A	N/A	N/A	The property comprises a row of 14 terrace houses fronting Half-Moon

27/41 Half Moon Street London W1J 7BN					Street and a further two houses fronting Shepherds Market. The houses have been converted to provide hotel accommodation over basement, ground and five upper levels. Accommodation comprises 162, a brassiere and lounge bar and five conference and lounge, five conference suites and sundry back of house areas.
<b>Town Square Shopping Centre</b> High Street Stratford-Upon-Avon CV37 6AU	N/A	78,339	N/A	78,339	The property comprises an open shopping centre in a good secondary location within Stratford. The scheme has 30 units and is anchored by Somerfield, Millets, Birthdays, H&M Hennes, Claire's Accessories, Game, Bodycare and Lush. The centre was extensively reconfigured in 2002 and now provides units arranged along 'T' shaped malls with frontage onto High Street and Wood Street. There is a multi-storey car park to the rear of the scheme.
	289,468	98,955	16,884	405,307	

**Valuation Date** 12 May 2006.

**Report Date** 17 July 2006.

**Capacity of Valuer** External.

**Purpose of Valuation** Loan.

**Market Value** **£161,970,000 (One hundred and sixty one million nine hundred and seventy thousand pounds)** exclusive of VAT, as shown in the Schedule of Capital Values set out below.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

We confirm that 'Market Value', the term replacing 'Open Market Value', produces the same figure as 'Open Market Value'.

Property	Rents		Yields		Valuation		Tenure
	Current	ERV	Initial	Equivalent	Market	Vacant Possession	
<b>Creations Nightclub</b> 78 West Street Brighton East Sussex BN1 2RA	£225,000	£235,000	5.10%	5.77%	£4,175,000	£3,680,000	Freehold
<b>The Empire</b> Leicester Square London WC2H 7NA	£525,000	£2,875,000	1.00%	5.00%	£52,250,000	£48,100,000	Freehold
<b>Creations Nightclub</b> 55 Cookridge Street Leeds LS1 3AW	£350,000	£350,000	5.37%	6.00%	£6,410,000	£5,570,000	Freehold
<b>ISIS Nightclub</b> Redfield Road Lenton Nottingham NG7 2UW	£175,000	£175,000	6.02%	7.00%	£2,750,000	£2,215,000	Freehold
<b>Stoke Circus Casino and Ranger House</b> 30 Etruria Road Stoke-on-Trent ST1 5NH	£260,000	£260,000	5.28%	6.22%	£4,835,000	£4,090,000	Freehold
<b>Disco Royale</b> 233 High Street Uxbridge UB8 1LD	£175,950	£175,950	5.55%	6.05%	£3,000,000	£2,630,000	Freehold
<b>Destiny</b>	£677,765	£721,005	5.39%	5.90%	£11,900,000	£10,500,000	Freehold

<b>Nightclub</b> The Parade High Street Watford							
<b>Hilton Green Park Hotel</b> 27/41 Half Moon Street London W1J 7BN	£2,800,000	£2,800,000	5.30%	6.72%	£50,000,000	£44,650,000	Part Freehold, Part Long Leasehold
<b>Town Square Shopping Centre</b> High Street Stratford-Upon-Avon CV37 6AU	£1,391,280	£1,769,199	4.94%	5.5%	£26,650,000	£23,350,000	Part Freehold, Part Long Leasehold, and Part Short Leasehold
	6,579,995	£9,361,154			£161,970,000	£144,785,000	

**Additional Valuation Using Special Assumptions**

**£144,785,000 (One hundred and forty four million seven hundred and eighty five thousand pounds) exclusive of VAT, as shown in the Schedule of Capital Values set out below.**

Special Assumptions have been applied.

We have assumed each property is available to let with vacant possession.

We have valued the Properties individually and no account has been taken of any discount or premium that may be negotiated in the market if all or part of the portfolio was to be marketed simultaneously, either in lots or as a whole.

Our opinion of Market Value is based upon the Scope of Work and Valuation Assumptions attached, and has been primarily derived using comparable recent market transactions on arm's length terms.

We confirm that 'Market Value', the term replacing 'Open Market Value', produces the same figure as 'Open Market Value'.

**Valuation of Hotel**

Definitions of "Market Value" with our comments and assumptions adopted for the valuation are detailed in the attached General Principles, shown in Part V of this report, in accordance with RICS Appraisal and Valuation Manual, February 2003 (The Manual).

The Manual's Guidance Notes refer to the fact that certain types of property change hands at prices based directly on trading potential for a strictly limited use. Hotels are a specific example and they are usually sold as a fully operational business including trade fixtures, fittings, furniture, furnishings and equipment. Further, a new owner will normally engage the existing staff and sometimes the management, and would, of course, expect to take over the benefit of licenses, which are an important feature of the continuing operation. It is assumed that existing licences, consents, registration certificates and permits, as appropriate, can be renewed. Our valuation excludes loose stock and perishables, trade debtors and creditors, and any additional value attributable to antique furniture or works of art within the properties.

When providing valuations of trading related properties, The Manual normally requires us to provide an indication of the effect of the closure of the business on the property. In the event that the properties referred to in this report were closed and the licenses lapsed the value would be based on alternative use and would be materially lower to the values expressed in this report.

**Security**

We are of the opinion that the property interests provide suitable security for mortgage purposes although we have not been provided with the terms of the loan and cannot therefore comment on their suitability having regard to the nature of the Properties.

**Compliance with Valuation Standards**

The valuations have been prepared in accordance with The RICS Appraisal and Valuation Standards, Fifth Edition. The property details on which the valuations are based are recorded within the individual valuation reports.

**Assumptions**

The property details on which each valuation is based are as set out within the individual property reports. We have made various assumptions as to tenure, letting, town planning, and the condition and repair of buildings and sites – including ground and groundwater contamination. This report is provided as a summary document and should only be read in conjunction with the full report. For specific property details, including the individual property assumption, refer to the specific reports (which have been provided separately).

If any of the information or assumptions on which the valuation is based are subsequently found to be incorrect, the valuation figures may also be incorrect and should be reconsidered.

We would draw the lenders' attention to the fact that the value of the hotel, on a vacant possession basis, is based upon its anticipated trading performance, and therefore the value can be expected to fluctuate in relation to the market and the hotel's trading.

Our valuations are based on the projected cashflows which we believe a reasonable competent operator would expect to achieve. Please note that the operator may project and achieve a level of income different to our projected EBITDAs which could result in a reduced level of EBITDA cover to debt repayment. It is therefore essential that prior to lending, suitable investigations are made into the actual levels of profit that the operator expects to achieve, and compare these to the loan payments required.

We advise that these valuations have been based on current market evidence and are an assessment of value as at the date of valuation. Should subsequent market conditions result in a variation to the assessed value, we advise that we are not liable to any party for losses relating to market fluctuations.

**Variation from Standard Assumptions**

None.

**Verification**

We recommend that before any financial transaction is entered into based upon these valuations, you obtain verification of the information contained within our report and the validity of the assumptions we have adopted.

We would advise you that whilst we have valued the Properties reflecting current market conditions, there are certain risks which may be, or may become, uninsurable. Before undertaking any financial transaction based upon this valuation, you should satisfy yourselves as to the current insurance cover and the risks that may be involved should an uninsured loss occur.

**Valuer**

The Properties have been valued by a valuer who is qualified for the purpose of the valuation in accordance with the RICS Appraisal and Valuation Standards.

**Independence**

The total fees, including the fee for this assignment, earned by CB Richard Ellis Ltd (or other companies forming part of the same group of companies within the UK) from the Addressee (or other companies forming part of the same group of companies) is less than 5.0% of the total UK revenues.

We confirm that during the last two years CB Richard Ellis Ltd (or other companies forming part of the same group of companies within the UK) have advised on the Subject Properties and acted for the borrower, however the total fees, including the fee for this assignment, earned by CB Richard Ellis Ltd from the borrower are less than 5.0% of the total UK revenues.

**Conflicts of Interest**

The principal signatory of this report has continuously been the signatory of valuations for the same addressee and valuation purpose as this report. CB Richard Ellis Ltd has continuously been carrying out valuation instructions for the addressee of this report.

CB Richard Ellis Ltd has carried out Valuation, Agency and Professional services on behalf of the addressee for between 10 and 14 years.

**Reliance** This report is for the use only of the party to whom it is addressed for the specific purpose set out herein and no responsibility is accepted to any third party for the whole or any part of its contents.

**Publication** Neither the whole nor any part of our report nor any references thereto may be included in any published document, circular or statement nor published in any way without our prior written approval of the form and context in which it will appear.

Yours faithfully

Yours faithfully

**David Batchelor BSc MRICS**

**Tim Nicholls BSc (Hons) MRICS**

**Director**

For and on behalf of  
CB Richard Ellis Ltd

**Director**

For and on behalf of  
CB Richard Ellis Ltd

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### **Scope of Work & Sources of Information**

**Sources of Information** We have carried out our work based upon information supplied to us by Taylor Wessing and London & Regional Properties, as set out within this report, which we have assumed to be correct and comprehensive.

**The Properties** We have inspected the Properties internally. Our report contains a brief summary of the property details on which our valuation has been based.

**Inspections** Between 28 April 2006 and 8 May 2006.

**Areas** We have not measured the Properties but have relied upon the floor areas within the Internal Area Measurement Report prepared by Plowman Craven & Associates dated November 2000.

**Environmental Matters** We have not undertaken, nor are we aware of the content of, any environmental audit or other environmental investigation or soil survey which may have been carried out on the Properties and which may draw attention to any contamination or the possibility of any such contamination. We have not carried out any



investigations into the past or present uses of the Properties, nor of any neighbouring land, in order to establish whether there is any potential for contamination and have therefore assumed that none exists.

**Repair and Condition**

We have not carried out building surveys, tested services, made independent site investigations, inspected woodwork, exposed parts of the structure which were covered, unexposed or inaccessible, nor arranged for any investigations to be carried out to determine whether or not any deleterious or hazardous materials or techniques have been used, or are present, in any part of the Properties. We are unable, therefore, to give any assurance that the Properties are free from defect.

**Town Planning**

We have made verbal Planning enquiries only. Information supplied to us by planning officers is given without liability on their part. We cannot, therefore, accept responsibility for incorrect information or for material omissions in the information supplied to us.

**Titles, Tenures and Lettings**

Details of title/tenure under which the Properties are held and of lettings to which they are subject are as supplied to us by Taylor Wessing. We have not generally examined nor had access to all the deeds, leases or other documents relating thereto. Where information from deeds, leases or other documents is recorded in this report, it represents our understanding of the relevant documents. We should emphasise, however, that the interpretation of the documents of title (including relevant deeds, leases and planning consents) is the responsibility of your legal adviser.

We have not conducted credit enquiries on the financial status of any tenants. We have, however, reflected our general understanding of purchasers' likely perceptions of the financial status of tenants.

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**VALUATION ASSUMPTIONS**

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**Capital Values**

Each valuation has been prepared on the basis of "Market Value" which is defined as:

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

No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal. Acquisition costs have not been included in our valuation.

No account has been taken of any inter-company leases or arrangements, nor of any mortgages, debentures or other charges.

No account has been taken of the availability or otherwise of capital based Government or European Community grants.

**Rental Values**

Rental values indicated in our report are those which have been adopted by us as appropriate in assessing the capital value and are not necessarily appropriate for other purposes, nor do they necessarily accord with the definition of Market Rent.

**The Properties**

Where appropriate we have regarded the shop fronts of retail and showroom accommodation as forming an integral part of the building.

Landlord's fixtures such as lifts, escalators, central heating and other normal service installations have been treated as an integral part of the building and are included within our valuations.

Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuations.

All measurements, areas and ages quoted in our report are approximate.

**Environmental Matters**

In the absence of any information to the contrary, we have assumed that:

- (a) the Properties are not contaminated and are not adversely affected by any existing or proposed environmental law;
- (b) any processes which are carried out on the Properties which are regulated by environmental legislation are properly licensed by the appropriate authorities.

High voltage electrical supply equipment may exist within, or in close proximity of, the Properties. The National Radiological Protection Board (NRPB) has advised that there may be a risk, in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the property. Our valuation reflects our current understanding of the market and we have not made a discount to reflect the presence of this equipment.

**Repair and Condition**

In the absence of any information to the contrary, we have assumed that:

- (a) there are no abnormal ground conditions, nor archaeological remains, present which might adversely affect the current or future occupation, development or value of the Properties;
- (b) the Properties are free from rot, infestation, structural or latent defect;

- (c) no currently known deleterious or hazardous materials or suspect techniques have been used in the construction of, or subsequent alterations or additions to, the Properties; and
- (d) the services, and any associated controls or software, are in working order and free from defect.

We have otherwise had regard to the age and apparent general condition of the Properties. Comments made in the property details do not purport to express an opinion about, or advise upon, the condition of un-inspected parts and should not be taken as making an implied representation or statement about such parts.

**Title, Tenure, Planning and Lettings**

Unless stated otherwise within this report, and in the absence of any information to the contrary, we have assumed that:

- (a) the Properties possess a good and marketable title free from any onerous or hampering restrictions or conditions;
- (b) all buildings have been erected either prior to planning control, or in accordance with planning permissions, and have the benefit of permanent planning consents or existing use rights for their current use;
- (c) the Properties are not adversely affected by town planning or road proposals;
- (d) all buildings comply with all statutory and local authority requirements including building, fire and health and safety regulations;
- (e) only minor or inconsequential costs will be incurred if any modifications or alterations are necessary in order for each Property to comply with the provisions of the Disability Discrimination Act 1995;
- (f) all rent reviews are upward only and are to be assessed by reference to full current market rents;
- (g) there are no tenant's improvements that will materially affect our opinion of the rent that would be obtained on review or renewal;
- (h) tenants will meet their obligations under their leases, and are responsible for insurance, payment of business rates, and all repairs, whether directly or by means of a service charge;
- (i) there are no user restrictions or other restrictive covenants in leases which would adversely affect value;

- (j) where more than 50% of the floorspace of a property is in residential use, the Landlord and Tenant Act 1987 (the "Act") gives certain rights to defined residential tenants to acquire the freehold/head leasehold interest in the property. Where this is applicable, we have assumed that necessary notices have been given to the residential tenants under the provisions of the Act, and that such tenants have elected not to acquire the freehold/head leasehold interest. Disposal on the open market is therefore unrestricted.
- (k) where appropriate, permission to assign the interest being valued herein would not be withheld by the landlord where required; and
- (l) vacant possession can be given of all accommodation which is unlet or is let on a service occupancy.

**SAVILLS COMMERCIAL LIMITED**

17 July 2006

For the attention of Chris King  
London and Regional Properties Limited  
6th Floor  
105 Wigmore Street  
London  
W1U 1QY

Morgan Stanley & Co International  
London & Regional (Trafalgar Square Hotel) Limited  
London & Regional Debt Securitisation No.2 PLC  
London & Regional Portfolio Finance Limited  
The Bank of New York

Dear Sirs

**The Trafalgar Hotel, 2 Spring Gardens, Trafalgar Square, London, SW1A 2TS  
Valuation Certificate**

In accordance with your instructions received by letter dated 11 May 2006, confirmed by us in writing on 26 May 2006 inspected and valued the above property on 5 May 2006, undertaken in accordance with the RICS Appraisal and Valuation Standards (5th Edition). We would confirm that our Valuation and Report have been prepared under the basis of UK Practice Statement Chapter 3.

The property was inspected and the valuation agreed by Tim Stoye BSc MRICS and Philip Johnston BSc (Hons) MRICS valuers qualified for the purpose as defined in the RICS Appraisal and Valuation Standard 5th Edition Practice Statement Chapter 1, PS1.1.

**1. Market Value (MV) - Investment**

As at 11 July 2006.

Subject to information available to us as contained in this Valuation Report.

Long Leasehold interest subject to the occupational leases for the Trafalgar Hotel and self contained restaurant.

129 bedroom Hotel with restaurant and conference facility and adjoining restaurant.

As a fully equipped operational trading entity, having regard to the trading potential of the Hotel in existing condition with all fixtures and fittings available for trading and the benefit of the Hilton brand name and covenant under the lease.

**£54,900,000 (Fifty Four Million Nine Hundred Thousand Pounds).**

The Market Value assumes a reasonable marketing period of 6 months and is stated net of purchasers cost which have been taken at 2.25%. This approach specifically assumes the property is held as a single asset in a company and would be sold as such. In the event that the property could only be sold as a separate leasehold title and attract full Stamp Duty Land Tax, costs would be higher (5.7626%) and this would reduce the net investment value to £53,000,000.

2. **Market Value (MV) – Vacant Possession**

As at 11 July 2006.

Subject to information available to us as contained in this Valuation Report.

Long Leasehold interest subject with vacant possession.

129 bedroom Hotel with restaurant and conference facility and adjoining self contained restaurant.

As a fully equipped operational trading entity, having regard to the trading potential of the Hotel in existing condition with all fixtures and fittings available for trading.

**£51,200,000 (Fifty One Million Two Hundred Thousand Pounds).**

The vacant possession value makes no allowance for the deduction of purchasers costs.

Attached to this Certificate of Valuation is our full Valuation Report and it should be noted that the detailed information contained therein, together with its conditions and appendices, form an integral and essential part of our Valuation. This Valuation and Report is for the sole and exclusive use of London & Regional Properties Limited may not be relied upon by any third party, or referred to or included in any published document, circular or statement without the prior and written consent of Savills Commercial Ltd.

Yours faithfully

For and on behalf of Savills Commercial Limited

**Tim Stoye Bsc MRICS**  
Director - Hotels & Leisure

**Philip Johnston BSc (Hons) MRICS**  
Director – Hotels & Leisure Enc

## LONDON & REGIONAL

The London Regional Group of companies (**L&R Group**) has grown rapidly and is now one of the UK's largest and most active private company developers and investors. The group operates in four main areas: commercial property development; long-term property investment; corporate and public sector property outsourcing and hotels.

Current development projects range from building major business parks, shopping centres, hotels and leisure complexes to refurbishing existing office and retail space. Major projects in progress include a new 200,000 square foot shopping centre in Scotland and the redevelopment of the former Marks and Spencer plc head office in the West End of London.

The L&R Group also holds a substantial portfolio of prime investment properties, such that the UK portfolio is now valued in the region of £2.5 billion. The outsourcing team has closed seven PFI deals. The L&R Group currently owns three central London hotels operated by Hilton International Hotels (UK) Limited (most notably the Park Lane Hilton) and the Trafalgar, (constructed by L&R) which is operated by Stakis Limited (a subsidiary of Hilton Hotels Corporation). Until recently it owned a portfolio of 23 Accor hotels throughout the UK. In Germany, the L&R Group has acquired the Hilton hotel in Frankfurt, the Deutsche Telekom Center in Munich and a portfolio of 271 properties let to ATU GmbH & Co KG, Germany's largest motor service company. The latter has been valued at €710 million. Most recently, a modern 40 storey office tower in the heart of Warsaw has been acquired.

The L&R Group has been active in the UK corporate outsourcing market, with the largest deal to date being the Woolworths' plc's sale and leaseback. Other sale and leaseback deals in the last five years include an acquisition of 17 leisure units from First Leisure Trading Limited, the acquisition of 180 "Shell" Petrol stations under the terms of a highly innovative sale and leaseback structure and a portfolio of 90 nursing homes. The L&R Group has also acquired a pub portfolio from The Laurel Pub Company Limited. This investment activity highlights the group's strong position in the sale and leaseback market.

The L&R Group has established offices in Stockholm and Helsinki to target the northern European market, and now has a northern European property portfolio valued in the region of €2.0 billion. The portfolio includes seven office buildings let to the Government of Sweden and let to SEB, a company owning a portfolio of hotels, a portfolio of offices/industrial let to ABB Fastighet AB and third party tenants servicing the technology industry, and 14 distribution units let to ICA, the largest regional food retailer. In addition to these core property assets, the L&R Group also owns one of the largest regional leasing businesses and Holiday Club Resorts oy in Finland, a time share business.

The L&R Group has also been active in the more traditional investment market, acquiring the ownership of the JP Morgan Headquarters building on Victoria Embankment (c 390,000 square feet), as well as several smaller ticket properties.

Amongst its current development projects, the L&R Group has entered into a Development Agreement with Guinness Limited to construct a £450 million business park in North West London comprising nine headquarters offices buildings totaling 125,000 square metres. The first building of 18,800 square metres was let to Guinness Limited (which was included in the securitisation portfolio relating to the issue of Commercial Mortgage Backed Floating Rate Notes by London & Regional Debt Securitisation No.1 plc in November 2005) and has won a number of design awards. The second building is under construction under an innovative forward sale arrangement. Other major lettings are in negotiation. This will be the largest business park development in London.

Other properties in the portfolio being the subject of the first securitisation which were developed by the Group include the 25,000 sq. m. refurbishment of 68 King William Street in London (providing a new department store for House of Fraser (Stores) Limited and Regus (UK) Limited serviced offices), and the refurbishment of St Georges Court, Oxford Street, to provide 20,000 square metres of office

accommodation for the Ministry of Defence, as well as HMRC office building in Manchester, which was the first office building to be built under the PFI procurement process.

The L&R Group continues to seek and find new investment opportunities, often in less traditional sectors, as shown by being part of the consortium which recently acquired the General Healthcare Group Limited (owner and operator of BMI private hospitals) and its current interest in Next Generation Health Clubs (Holdings) Limited.



## BARCLAYS BANK PLC

Barclays Bank PLC is a public limited company registered in England and Wales under number 1026167. The liability of the members of Barclays Bank PLC is limited. It has its registered head office at 1 Churchill Place, London, E14 5HP. Barclays Bank PLC was incorporated on 7 August 1925 under the Colonial Bank Act 1925 and on 4 October 1971 was registered as a company limited by shares under the Companies Act 1948 to 1967. Pursuant to The Barclays Bank Act 1984, on 1 January 1985, Barclays Bank was re-registered as a public limited company and its name was changed from "Barclays Bank International Limited" to "Barclays Bank PLC".

Barclays Bank PLC and its subsidiary undertakings (taken together, the **Group**) is a major global financial services provider engaged in retail and commercial banking, credit cards, investment banking, wealth management and investment management services. The whole of the issued ordinary share capital of Barclays Bank PLC is beneficially owned by Barclays PLC, which is the ultimate holding company of the Group and one of the largest financial services companies in the world by market capitalisation.

The short term unsecured obligations of Barclays Bank PLC are rated F1+ by Fitch, P-1 by Moody's Investors Services Limited (Moody's) and A-1+ by Moody's and the long-term obligations of Barclays Bank PLC are rated AA+ by Fitch, Aa1 by Moody's and AA by Moody's. From 2005, the Group has prepared financial statements on the basis of International Financial Reporting Standards (collectively IFRS). Based on the unaudited financial information for the year ended 31 December 2005, prepared in accordance with IFRS, the Group had total assets of £924,170 million, total net loans and advances of £300,001 million, total deposits of £313,811 million, and total shareholders' equity of £24,243 million (including minority interests of £1,578 million). The profit before tax of the Group for the year ended 31 December 2005 was £5,311 million after charging an impairment loss on loans and advances and other credit risk provisions of £1,571 million.

The Group's audited financial statements for the year ended 31 December 2004 were prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP). On this basis, as at 31 December 2004, the Group had total assets of £522,253 million, total net loans and advances of £330,077 million, total deposits of £328,742 million and shareholders' funds of £18,271 million (including £690 million of non-equity funds). The profit before tax under UK GAAP for the year ended 31 December 2004 was £4,612 million after charging net provisions for bad and doubtful debts of £1,091 million.

## **THE BANK OF NEW YORK**

The Bank of New York is incorporated, with limited liability by Charter, under the Laws of the State of New York by special act of the New York State Legislature, Chapter 616 of the Laws of 1871, with its Head Office situate at One Wall Street, New York, NY 10286, USA and having a branch registered in England & Wales with FC No 005522 and BR No 000818 with its principal office in the United Kingdom situate at One Canada Square, London E14 5AL.

The Bank of New York is a leading provider of corporate trust and agency services. The Bank and its subsidiaries and affiliates administer a portfolio of more than 90,000 trustee and agency appointments, representing \$3 trillion in outstanding securities for more than 30,000 clients around the world. The Bank is a recognized leader for trust services in several debt products, including corporate and municipal debt, mortgage-backed and asset-backed securities, derivative securities services and international debt offerings.

The Bank of New York Company, Inc. is a global leader in providing a comprehensive array of services that enable institutions and individuals to move and manage their financial assets in more than 100 markets worldwide. The Company has a long tradition of collaborating with clients to deliver innovative solutions through its core competencies: securities servicing, treasury management, asset management, and private banking services. The Company's extensive global client base includes a broad range of leading financial institutions, corporations, government entities, endowments and foundations. Its principal subsidiary, The Bank of New York, founded in 1784, is the oldest bank in the United States and has consistently played a prominent role in the evolution of financial markets worldwide. Additional information is available at [www.bankofny.com](http://www.bankofny.com).

## **LLOYDS TSB BANK PLC**

Lloyds TSB Bank plc, acting through its corporate office at Faryner's House, 25 Monument Street, London EC3E 8BQ, will act as the Liquidity Facility Provider under the Liquidity Facility Agreement. Lloyds TSB Bank plc together with its subsidiaries and affiliates provides a range of banking and financial services in the UK and overseas. These include providing personal, business and corporate customers with banking and other related financial services. Lloyds TSB Bank plc is regulated by the Financial Services Authority. The short term unsecured, unsubordinated debt obligations of Lloyds TSB Bank plc as at the date of this Offering Circular are rated "F-1+" by Fitch and "P-1" by Moody's.

## PROVISIONS RELATING TO NOTES WHILST IN GLOBAL FORM

Each Class of Notes will initially be in the form of a Temporary Global Note in bearer form (without Coupons or Talons) which will be deposited on behalf of the subscribers of the Notes on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. Upon deposit of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg will credit the account of each Noteholder with the principal amount of Notes for which it has subscribed and paid. Each Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note in bearer form (without Coupons or Talons) of the same Class on a date not earlier than 40 days after the Closing Date (the **Exchange Date**) upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Notes unless exchange for interests in the relevant Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Each Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form (**Definitive Notes**) in the denomination of £50,000 each at the request of the bearer of the relevant Permanent Global Note against presentation and surrender of such Permanent Global Note to the Principal Paying Agent if both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce an intention permanently to cease business or in fact do so and no alternative clearing system satisfactory to the Note Trustee is available (an **Exchange Event**).

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the Principal Amount Outstanding of the relevant Permanent Global Note to the bearer of such Permanent Global Note against the surrender of such Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

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

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of each Temporary Global Note and each Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the relevant Temporary Global Note or (as the case may be) the relevant Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

*Notices:* Notwithstanding **Condition 17**, while all the Notes are represented by Permanent Global Notes (or by Permanent Global Notes and/or Temporary Global Notes) and the Permanent Global

Notes (or each Permanent Global Note and/or each Temporary Global Note) are deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg rather than by publication in accordance with **Condition 17**, provided that for so long as the Notes are listed on the Stock Exchange the rules of the Stock Exchange so permit. Such notices shall be deemed to have been given to the Noteholders in accordance with **Condition 17** on the date of delivery to Euroclear and Clearstream, Luxembourg.

*Meetings:* The holder of a Global Note will be deemed to be two persons for the purpose of forming a quorum at a meeting of Noteholders.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions (the **Conditions** and any reference to a **Condition** shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed.*

The £190,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2015 (the **Class A Notes**) of London & Regional Debt Securitisation No.2 PLC (the **Issuer**), the £16,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2015 of the Issuer (the **Class B Notes**) and the £50,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2015 of the Issuer (the **Class C Notes**, together with the Class A Notes and the Class B Notes, the **Notes**), issued on 28 July 2006 (the **Closing Date**) are constituted by a trust deed dated the Closing Date (the **Trust Deed** as modified, supplemented and amended from time to time) made between the Issuer and The Bank of New York (the **Note Trustee**, which expression includes its successor or any further or other trustee under the Trust Deed as trustee for the holders for the time being of the Notes (the **Noteholders**)). Any reference to a **Class** of Notes or of Noteholders shall be a reference to the Class A Notes, the Class B Notes or the Class C Notes, or any, or all, of their respective holders, as the case may be. The security for the Notes is created pursuant to, and on terms set out in, a deed of charge and assignment (the **Issuer Deed of Charge**, which expression includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto) dated the Closing Date and made between, *inter alios*, the Issuer and the Note Trustee. By an agency agreement dated the Closing Date and made, between, *inter alios*, the Issuer, the Note Trustee, The Bank of New York as principal paying agent (the **Principal Paying Agent** and, as agent bank (the **Agent Bank**) and AIB/BNY Fund Management (Ireland) Limited as Irish paying agent (the **Irish Paying Agent**, together with the Principal Paying Agent and any further or other paying agent, for the time being appointed in respect of the Notes, the **Paying Agents**, which expression includes any successor paying agent appointed in respect of the Notes) (the **Agency Agreement**, which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes of each Class. A liquidity facility will be provided to the Issuer by Lloyds TSB Bank plc (the **Liquidity Facility Provider**) pursuant to the terms of a 364 day facility agreement to be entered into on or about the Closing Date between the Liquidity Facility Provider and the Issuer (the **Liquidity Facility Agreement**). The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the Issuer Deed of Charge. Copies of the Trust Deed, the Agency Agreement, the Issuer Deed of Charge and the other Issuer Transaction Documents (as defined below) 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 48th Floor, One Canada Square, London E14 5AL and at the specified offices of the Paying Agents. The Noteholders and the holders for the time being of the Coupons (as defined below) (the **Couponholders**) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed, the Issuer Deed of Charge, the Agency Agreement and the other Issuer Transaction Documents.

### 1. DEFINITIONS

In these Conditions, the following defined terms have the meanings set out below:

**A Facility** means the A1 Facility, the A2 Facility and/or the A3 Facility;

**A1 Facility** means the credit facility made available under **Clause 2.1** (A1 Facility) of the Issuer/Borrower Loan Agreement.

**A1 Loan** means the advance representing the proceeds of the Class A Notes made by the Issuer to the Borrower under the Issuer/Borrower Loan Agreement on or about the Closing Date:

**A2 Facility** means the credit facility made available under **Clause 2.2** (A2 Facility) of the Issuer/Borrower Loan Agreement.

**A2 Loan** means the advance representing the proceeds of the Class B Notes made by the Issuer to the Borrower under the Issuer/Borrower Loan Agreement on or about the Closing Date.

**A3 Facility** means the credit facility made available under **Clause 2.3** (A3 Facility) of the Issuer/Borrower Loan Agreement.

**A3 Loan** means the advance representing the proceeds of the Class C Notes made by the Issuer to the Borrower under the Issuer/Borrower Loan Agreement on or about the Closing Date.

**Account Bank** means The Bank of New York, acting through its office at 48th Floor, One Canada Square, London E14 5AL, in its capacity as account bank or such other entity appointed as account bank from time to time, subject to and in accordance with the terms of the Account Bank Agreement;

**Account Bank Agreement** means the account bank agreement entered into on or about the Closing Date between the Issuer, the Propcos, the Borrower, the Cash Manager, the Note Trustee, the Borrower Security Trustee and the Account Bank;

**Appointee** means any attorney, manager, agent, delegate, nominee, custodian or other person appointed by the Note Trustee under the Trust Deed (provided that an Appointee will only be entitled to receive amounts in respect of remuneration, costs, expenses and indemnification if, and to the extent that, it is entitled to receive such amounts pursuant to the terms of the Trust Deed);

**Basic Terms Modification** means:

- (a) a modification of the date of maturity of the Notes or any Class thereof;
- (b) a modification which would have the effect of postponing any day for payment of interest on the Notes or any Class thereof, modifying the amount of principal or the rate of interest payable in respect of the Notes or any Class thereof;
- (c) alteration of the currency in which payments under the Notes or any Class thereof are to be made;
- (d) alteration of the quorum or majority required in relation to an Extraordinary Resolution;
- (e) alteration of the Issuer Security;
- (f) alteration of the Pre-Enforcement Priority of Payments, the Post-Enforcement/Pre-Acceleration Priority of Payments or the Post-Acceleration Priority of Payments;
- (g) alteration of the proviso to **paragraph 7** of **Schedule 3** (Provisions for meetings of Noteholders) to the Trust Deed;
- (h) alteration of the proviso to **paragraph 9** of **Schedule 3** (Provisions for meetings of Noteholders) to the Trust Deed; or
- (i) alteration of this definition of **Basic Terms Modification**;

**B Lender** means one or more third party investors, each of which has entered as lender into the B Loan Agreement with the Borrower;

**B Loan Agreement** means the loan agreement dated on or about the Closing Date between, *inter alios*, the Borrower, the Propcos and the B Lender;

**Borrower** means London & Regional Portfolio Finance Limited, a private limited liability company incorporated in England and Wales with registered number 5835838;

**Borrower Secured Creditors** means the secured parties under the Deed of Charge, namely: (a) the Borrower Security Trustee and any agent or Appointee thereof, (b) the Issuer, (c) the Cash Manager (in its capacity as cash manager to the Borrower), (d) the Account Bank (in its capacity as account bank to the Borrower), (e) the Swap Counterparty, (f) any Receiver appointed under the Deed of Charge, (g) the B Lender and (h) any other creditor who accedes to the Deed of Charge from time to time in accordance with its terms and is designated a Borrower Secured Creditor;

**Borrower Security Documents** means the Deed of Charge, the Mortgage of Shares and any document entered into pursuant to or in accordance with the Deed of Charge (including, without limitation, each Standard Security and each Scottish Rental Assignment);

**Borrower Security Trustee** means The Bank of New York or such other entity or entities appointed as security trustee for the Borrower Secured Creditors from time to time, subject to and in accordance with the terms of the Deed of Charge;

**Borrower Transaction Documents** means (a) Finance Documents, (b) the Intra-Group Loan Agreement, (c) the Cash Management Agreement, (d) the Account Bank Agreement, (e) the Intra-Group Subordinated Loan Agreement, (f) the Property Management Agreement, (g) the Swap Agreement and (h) any other document designated as such from time to time by the Borrower and the Borrower Security Trustee, and **Borrower Transaction Document** means all or any of them;

**Business Day** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business and settle payments in London except in the case of **Condition 8.6** (Payments) when it shall mean a day on which commercial banks settle payments and are open for general business in the place where any Coupon or Note is presented for payment and in London;

**Cash Management Agreement** means a cash management agreement dated on or about the Closing Date between, *inter alios*, the Issuer, the Borrower, the Propcos, the Cash Manager, the Note Trustee and the Borrower Security Trustee;

**Cash Manager** means The Bank of New York or such other entity appointed as cash manager of the Issuer, the Borrower and the Propcos from time to time in accordance with the terms of the Cash Management Agreement;

**Class A Coupons** means the interest coupons related to the Class A Definitive Notes and for the time being outstanding, or as the context may require, a specific number of such coupons;

**Class A Definitive Notes** means any Class A Notes issued in definitive form in accordance with the Trust Deed;

**Class A Noteholders** means the holders of the Class A Notes;

**Class B Coupons** means the interest coupons related to the Class B Definitive Notes and for the time being outstanding, or as the context may require, a specific number of such coupons;



**Class B Definitive Notes** means any Class B Notes issued in definitive form in accordance with the Trust Deed;

**Class B Noteholders** means the holders of the Class B Notes;

**Class C Coupons** means the interest coupons related to the Class C Definitive Notes and for the time being outstanding, or as the context may require, a specific number of such coupons;

**Class C Definitive Notes** means any Class C Notes issued in definitive form in accordance with the Trust Deed;

**Class C Noteholders** means the holders of the Class C Notes;

**Corresponding Class of Notes** means:

- (a) in respect of the A1 Loan, the Class A Notes;
- (b) in respect of the A2 Loan, the Class B Notes; and
- (c) in respect of the A3 Loan, the Class C Notes;

**Coupons** means the Class A Coupons, the Class B Coupons and the Class C Coupons;

**Couponholders** means the persons who for the time being are the holders of the Coupons.

**Day Count Fraction** means in respect of an Interest Period, the actual number of days in such period divided by (a) before the Redenomination Date, 365 and (b) after the Redenomination Date (if any) 360;

**Deed of Charge** means the deed of charge dated on or about the Closing Date and made between, *inter alios*, the Borrower, the Issuer, the Propcos, the Borrower Security Trustee and the other Borrower Secured Creditors;

**Deferred Interest** has the meaning given in **Condition 5.8** (Deferral of Payment);

**Definitive Note** means any Note issued in definitive bearer form;

**Eligible Bank** means an authorised institution under the Financial Services and Markets Act 2000 (as amended from time to time);

**Eligible Investments** means:

- (a) sterling gilt-edged securities; and
- (b) sterling demand or time deposits, certificates of deposit and short term debt obligations (including commercial paper) (which may include deposits in any account which earns a rate of interest related to LIBOR), provided that in all cases (i) such investments have a maturity date falling no later than the next following Interest Payment Date and (ii) 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 an Eligible Bank) are rated at least equal to P-1 by Moody's and F1 by Fitch or such other credit ratings as may be approved by the Rating Agencies from time to time;

**EMU** means European Economic and Monetary Union;

**EU** means the European Union;

**Euro** means the single currency introduced on 1 January 1999 at the start of the third stage of EMU pursuant to the Treaty;

**Euro Exchange Date** means, where the Notes have been issued in definitive form, the date on which all unmatured Coupons denominated in sterling (whether or not attached to the Notes) will become void;

**Euro Exchange Notice** means the notice given by the Issuer to the Noteholders and the Note Trustee that replacement Notes and Coupons denominated in Euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect of the original Notes and Coupons;

**Extraordinary Resolution** means a resolution passed at a Meeting duly convened and held in accordance with the Trust Deed by not less than three quarters of the votes cast;

**Finance Documents** has the meaning given to that term in the Issuer/Borrower Loan Agreement;

**Fitch** means Fitch Ratings Ltd, and any successor to its ratings business;

**Floating Rate** means the rates of interest payable from time to time in respect of the Notes (or any Class thereof);

**Interest Amount** means:

- (a) in respect of a Note for any Interest Period, the aggregate amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by multiplying the Principal Amount Outstanding of such Note on the Interest Payment Date next following such Interest Determination Date by the relevant Floating Rate and multiplying the amount so calculated by the relevant Day Count Fraction and rounding the resultant figure to the nearest Minimum Denomination; and
- (b) in relation to a Class for any Interest Period, the aggregate amount calculated in accordance with paragraph (a) above, in respect of such Class for such Interest Period;

**Interest Determination Date** means:

- (a) prior to the Redenomination Date (if any), each Interest Payment Date or, in the case of the first Interest Period, the Closing Date; and
- (b) on or after the Redenomination Date (if any), each day which is two Business Days prior to an Interest Payment Date,

and, in relation to an Interest Period, the **related Interest Determination Date** means, on or prior to the Redenomination Date (if any), the Interest Determination Date which falls on the first day of such Interest Period and, after the Redenomination Date (if any), the Interest Determination Date immediately preceding the commencement of such Interest Period;

**Interest Payment Date** means 15 January, 15 April, 15 July and 15 October in each year, subject to the adjustments provided in **Condition 5.2** (Interest – Interest Payment Dates and Interest Periods), with the first Interest Payment Date being the Interest Payment Date falling in October 2006;

**Interest Period** means the period from (and including) the Closing Date to (but excluding) the first Interest Payment Date and each successive period from and including an Interest Payment Date to but excluding the next succeeding Interest Payment Date;

**Intra-Group Loan Agreement** means the intra-group loan agreement dated on or about the Closing Date between, *inter alios*, the Propcos, the Borrower and the Borrower Security Trustee;

**Intra-Group Loans** means the loans made by the Borrower to the Propcos, on or about the Closing Date, under the terms of the Intra-Group Loan Agreement;

**Issuer Accounts** means the Issuer Transaction Account and any other account opened by the Issuer in accordance with the terms of the Account Bank Agreement;

**Issuer/Borrower Loan** means each of the A1 Loan, the A2 Loan and the A3 Loan;

**Issuer/Borrower Loan Agreement** means the loan agreement entered into on or about the Closing Date between, *inter alios*, the Issuer, the Obligors and the Borrower Security Trustee;

**Issuer Secured Creditors** means: (a) the Note Trustee and any agent or other Appointee thereof, (b) the Noteholders and the Couponholders, (c) the Liquidity Facility Provider, (d) the Cash Manager (in its capacity as cash manager to the Issuer), (e) the Account Bank (in its capacity as account bank to the Issuer), (f) the Agent Bank, (g) the Paying Agents, (h) any receiver appointed under the Issuer Deed of Charge and (i) any other creditor who accedes to the Issuer Deed of Charge from time to time in accordance with its terms and is designated an Issuer Secured Creditor;

**Issuer Security** means the Security Interests created by the Issuer in favour of the Note Trustee (for itself and for and on behalf of the Noteholders and the other Issuer Secured Creditors) by or pursuant to the Issuer Deed of Charge;

**Issuer Transaction Account** means an account known as the "London & Regional Debt Securitisation No.2 PLC Transaction Account", held in the name of the Issuer and maintained by the Account Bank pursuant to the terms of the Account Bank Agreement, or such other account as may be opened, with the consent of the Note Trustee, with the Account Bank or at an Eligible Bank in replacement of such account;

**Issuer Transaction Documents** means the: (a) Trust Deed, (b) the Issuer Deed of Charge, (c) the Issuer/Borrower Loan Agreement, (d) the Liquidity Facility Agreement, (e) the Cash Management Agreement, (f) the Agency Agreement, (g) the Account Bank Agreement and (h) any other document designated as such from time to time by the Issuer, the Borrower, the Borrower Security Trustee and the Note Trustee, and **Issuer Transaction Document** means each or any of them;

**L&R Parent** means London and Regional Group Finance Limited, a private limited company incorporated in England and Wales with registered number 04312421;

**Lead Manager** means Morgan Stanley & Co. International Limited;

**LIBOR** means the London interbank offered rate as determined in accordance with **Condition 5.3** (Rates of Interest);

**LIBOR Screen Rate** has the meaning given to it in **Condition 5.4(a)** (Interest – Determination of LIBOR);

**Loan Acceleration Notice** means the notice delivered by the Borrower Security Trustee pursuant to **Clause 19.17** (Acceleration) of the Issuer/Borrower Loan Agreement;

**Loan Tax Prepayment** means any repayment of an Issuer/Borrower Loan made by the Borrower under **Clause 7.5** (Involuntary prepayment) of the Issuer/Borrower Loan Agreement;

**Meeting** means a meeting of Noteholders of any Class (whether originally convened or resumed following an adjournment) held in accordance with the Trust Deed;

**Minimum Denomination** means, prior to the Redenomination Date, £0.01 and, after the Redenomination Date, Euro 0.01;

**Moody's** means Moody's Investors Service, Inc. and any successor to its rating business;

**Mortgage of Shares** means the security document entered into by each Share Mortgagor in favour of the Borrower Security Trustee pursuant to which it holds its respective interests in the Issuer, the Borrower and the relevant Propco(s), on trust for itself, the Borrower Security Trustee and the other Borrower Secured Creditors;

**Most Senior Class of Notes** means:

- (a) for so long as there are Class A Notes outstanding, the Class A Notes; or
- (b) for so long as there are no Class A Notes outstanding and there are Class B Notes outstanding, the Class B Notes; and
- (c) thereafter, the Class C Notes;

**Note Acceleration Notice** means a notice given by the Note Trustee to the Issuer declaring the Notes to be immediately due and repayable at any time after the happening of a Note Event of Default;

**Note Event of Default** has the meaning given to it in **Condition 11** (Events Of Default);

**Obligors** means the Borrower and each Propco;

**Obligor Security** means the Security Interests created by the Obligors in favour of the Borrower Security Trustee by or pursuant to the Borrower Security Documents;

**Optionco** means London and Regional Commercial Properties Holdings Limited, a private company incorporated in England and Wales with limited liability under registered number 04312463;

**Participating Member State** means a Member State of the European Communities which has adopted the Euro as its lawful currency in accordance with the Treaty;

**Post-Acceleration Priority of Payments** means the priority of payments set out in **Schedule 4** (Post-Acceleration Priority of Payments) to the Cash Management Agreement;

**Post-Enforcement/Pre-Acceleration Priority of Payments** means the priority of payments set out in **Schedule 3** (Post-Enforcement/Pre-Acceleration Priority of Payments) to the Cash Management Agreement;

**Pre-Enforcement Priority of Payments** means the priority of payments set out in **Schedule 2** (Pre-Enforcement Priority of Payments) to the Cash Management Agreement;

**Principal Amount Outstanding** means, in respect of a Note on any date, its original principal amount on the Closing Date less the aggregate amount of all principal payments in respect of such Note which have become due and payable and have been paid on or prior to such date;

**Propcos** means Am-Coff Limited, Bayford Properties Limited, Cochrane Square SPV Limited, Cornice Properties Limited, Haymarket SPV Limited, London & Regional (Bewlay House) Limited, London & Regional (Empire) Limited, London & Regional (Green Park Hotel) Limited, London & Regional (Sheffield) Limited, London & Regional (Stockport) Limited, London & Regional (Trafalgar Square Hotel) Limited, LR (Cardiff) Limited, LR (South Eastern) Limited, LR (Stratford) Limited, LR Estates Limited, LR Investments Limited, Marshset Limited, Richian Limited, Rubtrade Limited, and Widerace Limited, and each a **Propco**;

**Properties** means, at any time, an interest in any property over which the Propcos have granted a mortgage, standard security or fixed charge pursuant to the terms of the Deed of Charge and **Property** means each or any of them;

**Property Management Agreement** means a property management agreement to be entered into on or about the Closing Date between, *inter alios*, the Property Manager, each Propco and the Borrower Security Trustee;

**Property Manager** means London & Regional Properties Limited in its capacity as property manager under the Property Management Agreement or any other property manager appointed in accordance with the Issuer/Borrower Loan Agreement and the Property Management Agreement;

**Rating Agencies** means Fitch and Moody's and **Rating Agency** means either of them;

**Receiver** means any receiver, manager, or administrative receiver appointed in respect of the Issuer by the Note Trustee in accordance with **Clause 8 (Receiver)** of the Issuer Deed of Charge;

**Redenomination Date** means the Interest Payment Date falling on or after the Euro Commencement Date on which the Issuer intends to redenominate the currency of any of the Notes into Euro (if any);

**Reference Banks** means the four major reference banks in the London interbank market, selected by the Principal Paying Agent under the Notes;

**relevant date** has the meaning given to it in **Condition 10 (Prescription)**;

**Relevant Margin** means:

- (a) in respect of the Class A Notes, 0.21 per cent. per annum;
- (b) in respect of the Class B Notes, 0.30 per cent. per annum; and
- (c) in respect of the Class C Notes, 0.50 per cent. per annum;

**Scottish Property** means a Property located in Scotland;

**Scottish Rental Assignment** means each assignment of rent granted on or subsequent to the Closing Date by the relevant Obligor in favour of the Borrower Security Trustee (for itself and the other Borrower Secured Creditors) pursuant to the Deed of Charge in respect of any Scottish Property;

**Security Interest** means any mortgage, standard security, charge, pledge, lien, assignment, assignation in security or security interest or any other agreement or arrangement having a similar effect;

**Share Mortgagor** means London & Regional Investments Limited, LR Estates Limited, London & Regional PFI Projects Holdings Limited, London and Regional Commercial Properties Holdings Limited, London & Regional Investment Holdings Limited, London & Regional Hotel Holdings Limited and the L&R Parent or any other person who owns or acquires a Propco;

**Standard Security** means each standard security granted on or subsequent to the Closing Date by the relevant Obligor in favour of the Borrower Security Trustee pursuant to the Deed of Charge over any Scottish Property;

**Stand-By-Account** means an account of the Issuer opened in accordance with the Liquidity Facility Agreement;

**Stock Exchange** means the Irish Stock Exchange Limited;

**Subscription Agreement** means the subscription agreement entered into on or about the Closing Date between, *inter alios*, the Issuer, the Lead Manager and the Obligors;

**Swap Agreement** means the agreement so named dated on or about the Closing Date and made between the Borrower and the Swap Counterparty, and comprised of the 1992 Master Agreement (Multicurrency-Cross Border) (together with the Schedule and 1995 Credit Support Annex thereto and all of the related swap confirmations);

**Swap Counterparty** means Morgan Stanley & Co. International Limited, in its capacity as swap counterparty or such other entity appointed as swap counterparty from time to time, subject to and in accordance with the terms of the Swap Agreement and the Issuer/Borrower Loan Agreement;

**Talon and Talons** means the talons for further Coupons attached to the Definitive Notes on issue;

**TARGET System** means the Trans-European Automated Real-time Gross Settlement Express Transfer system or any successor or replacement systems;

**Tax** means any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of a Tax Authority and **Taxes, taxation, taxable** and comparable expressions shall be construed accordingly;

**Tax Authority** means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including H.M. Revenue & Customs and any successor thereto);

**Tax Deed of Covenant** means the deed of covenant relating to tax matters entered into on or about the Closing Date between, *inter alios*, the Issuer and the Obligors;

**Transaction Documents** means the Issuer Transaction Documents and the Borrower Transaction Documents;

**Treaty** means the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam;

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

**VAT** means value added tax as imposed by the Value Added Tax Act 1994 and any other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of or in addition to value added tax) or elsewhere from time to time.

## **2. FORM, DENOMINATION AND TITLE**

### **2.1. Form**

The Notes are in bearer form in the denomination of £50,000 with Coupons and Talons for further Coupons attached at the time of issue. Title to the Notes, the Coupons and the Talons will pass by delivery. The holder of any Note, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

### **2.2. Trading in differing nominal amounts**

- (a) For so long as the Notes of any Class are represented by a Global Note, and the rules of Euroclear and Clearstream, Luxembourg so permit, the Notes of that Class will be tradeable in the minimum nominal amount of £50,000 and integral multiples of £1,000 in excess thereof.
- (b) If Definitive Notes for that Class of Notes are required to be issued and printed, any Noteholder holding Notes having a nominal amount which cannot be represented by a Definitive Note in the denomination of £50,000 will not be entitled to receive a Definitive Note in respect of such Notes and will not therefore be able to receive principal or interest in respect of such Notes.
- (c) At any meeting of Noteholders of any Class while the Notes of that Class are represented by a Global Note:
  - (i) any vote cast will be valid only if it is in respect of not less than £50,000 in nominal amount; and
  - (ii) any such holding will be counted for the purposes of determining whether or not a meeting is quorate only to the extent that it is in respect of not less than £50,000 in nominal amount.

## **3. STATUS, SECURITY AND PRIORITY**

### **3.1. Status and relationship between the Notes**

- (a) The Class A Notes and the Coupons and Talons relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the Issuer Security (as defined below). The Class A Notes rank *pari passu* without preference or priority amongst themselves and prior to and following enforcement of the Issuer Security, payments of principal and interest on the Class A Notes rank ahead of, *inter alia*, payments of principal and interest on the Class B Notes and the Class C Notes, subject to ~~Conditions 7.2 (Redemption and~~

Cancellation – Redemption for Taxation or Other Reasons) and 7.3 (Redemption and Cancellation – Mandatory Redemption in whole or in part).

- (b) The Class B Notes and Coupons and Talons relating thereto constitute direct, secured and (subject as provided in **Condition 5.8** (Deferral of Payment)) unconditional obligations of the Issuer and are secured by the Issuer Security. The Class B Notes rank *pari passu* without preference or priority amongst themselves and prior to and following enforcement of the Issuer Security, payments of principal and interest on the Class B Notes rank ahead of, *inter alia*, payments of principal and interest on the Class C Notes and are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes, subject in each case to **Conditions 7.2** (Redemption and Cancellation – Redemption for Taxation or Other Reasons) and **7.3** (Redemption and Cancellation – Mandatory Redemption in whole or in part).
- (c) The Class C Notes and the Coupons and Talons relating thereto constitute direct, secured and (subject as provided in **Condition 5.8** (Deferral of Payment)) unconditional obligations of the Issuer and are secured by the Issuer Security. The Class C Notes rank *pari passu* without preference or priority amongst themselves and prior to and following enforcement of the Issuer Security, payments of principal and interest on the Class C Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes and the Class B Notes subject to **Conditions 7.2** (Redemption and Cancellation – Redemption for Taxation or Other Reasons) and **7.3** (Redemption and Cancellation – Mandatory Redemption in whole or in part).
- (d) The Trust Deed and the Issuer Deed of Charge contain provisions requiring the Note Trustee to have regard to the interests of Noteholders of each Class equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise and in relation to any consent, approval, modification, waiver authorisation or determination pursuant to **Conditions 14.1, 14.2 and 14.3** and **Clause 17** of the Trust Deed), but requiring the Note Trustee in any such case (except in relation to the enforcement of the security pursuant to the Issuer Deed of Charge as referred to in **Condition 3.2**, below) to have regard only to the interests of the Noteholders of the Most Senior Class of Notes then outstanding if, in the Note Trustee's opinion, there is a conflict between the interests of such Noteholders and the Noteholders of any other Class outstanding.

So long as any of the Notes remains outstanding, the Note Trustee is not required to have regard to the interests of any persons (other than the Noteholders) entitled to the benefit of the security constituted by the Issuer Deed of Charge or any other person.

- (e) In the event of an issue of Further Notes (as defined in **Condition 20.1** (Further Notes)), Replacement Notes (as defined in **Condition 20.2** (Replacement Notes)) or New Notes (as defined in **Condition 20.3** (New Notes)), the provisions of these Conditions, the Trust Deed, the Issuer Deed of Charge and the other Transaction Documents, including (in the case of Replacement Notes or New Notes) those concerning:
  - (i) the basis on which the Note Trustee will be required to exercise its rights, powers, trusts, authorities, duties and discretions (including in circumstances where, in the opinion of the Note Trustee, there is a conflict between the interests of any Class of the Noteholders and the holders of such Replacement Notes or New Notes);
  - (ii) the circumstances in which the Note Trustee will become bound to take action, as referred to in **Condition 11** (Events Of Default);
  - (iii) meetings of Noteholders and the passing of effective Extraordinary Resolutions; and
  - (iv) the order of priority of payments both prior to, and upon, enforcement of the Issuer Security.



will be modified in such manner as the Note Trustee considers necessary to reflect the issue of such Further Notes, Replacement Notes or, as the case may be, New Notes and any new Transaction Documents entered into in connection with such Further Notes, Replacement Notes or, as the case may be, New Notes and the ranking thereof and of the claims of any party to any of such new Transaction Documents in relation to each Class of the Notes.

### **3.2. Security**

The Notes are subject to the Issuer Deed of Charge and the Deed of Charge pursuant to which the claims and exercise of rights of the Noteholders against the Issuer and of the Issuer against the Borrower in respect of the Issuer/Borrower Loan Agreement and the claims of the Borrower against the Propcos are regulated.

Subject to the terms of the Issuer Deed of Charge and the Deed of Charge, the Note Trustee (as assignee of the rights of the Issuer under the Issuer Transaction Documents) has the exclusive right, power and authority to direct, or to refrain from directing, the Borrower Security Trustee to exercise its rights to enforce the Deed of Charge, the Issuer/Borrower Loan Agreement and the Intra-Group Loan Agreement following the service of a Loan Acceleration Notice and in the exercise of certain other of its rights in respect of the Issuer/Borrower Loan Agreement, Intra-Group Loan Agreement and the other Borrower Transaction Documents against the Obligors all as more particularly described in the Issuer Deed of Charge and the Deed of Charge.

As continuing security for the payment of all monies payable in respect of the Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Note Trustee) and for the payment of certain other amounts, the Issuer has entered into the Issuer Deed of Charge creating the following security in favour of the Note Trustee for itself and on trust for the other Issuer Secured Creditors:

- (a) an assignment by way of first fixed security of the Issuer's right, title, interest and benefit, present and future, in, to and under the Issuer Transaction Documents (other than the Trust Deed and the Issuer Deed of Charge) and the Borrower Security Documents ;
- (b) a first charge over the Issuer's right, title, interest and benefit, present and future, in and to all amounts in the Issuer Accounts;
- (c) a first fixed charge over its interests in any Eligible Investments permitted to be made by the Issuer pursuant to the Cash Management Agreement; and
- (d) a first ranking floating charge over all and the whole of its undertaking not effectively charged or assigned as fixed security pursuant to (a) – (c) (inclusive) above (but including all of its undertaking assets and property situated in, or governed by the law of Scotland), all as more particularly set out in the Issuer Deed of Charge.

### **3.3. Enforcement of the Issuer Security**

The Issuer Security will become enforceable immediately upon the occurrence of a Note Event of Default, provided that, if the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Most Senior Class of Notes then outstanding, the Note Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (a) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and the Couponholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes or (b) the Note Trustee is of the opinion, which shall be binding on the Noteholders, the Couponholders and the other Issuer Secured Creditors, reached after considering at any time

and from time to time the advice of such professional advisers as are selected by the Note Trustee upon which the Note Trustee shall be entitled to rely (provided that if the Note Trustee is unable to obtain such advice having made reasonable efforts to do so this **Condition 3.3(b)** shall not apply), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and the Couponholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes or (c) the Note Trustee considers, in its sole discretion, that not to effect such disposal would place the Issuer Security in jeopardy. In respect of all powers, trusts, authorities, duties and discretions of the Note Trustee in relation to the enforcement of the security pursuant to the Issuer Deed of Charge (except where expressly provided otherwise), the Note Trustee will be obliged to consider the interests of each Class of Noteholders (notwithstanding **Condition 3.1** (Status and relationship between the Notes) and (save as specified below) so long as any of the Notes are outstanding, the Note Trustee shall, as regards all powers, trusts, duties and discretions of the Note Trustee (except where expressly provided otherwise), have no regard to the interests of, and will be relieved of all duties and liabilities to the Issuer Secured Creditors (other than the Noteholders) provided that the Note Trustee shall not be bound to make any determination contained in this **Condition 3.3** unless the Note Trustee has been indemnified and/or secured to its satisfaction.

#### 4. COVENANTS

##### 4.1. Restrictions

Save with the prior written consent of the Note Trustee or unless otherwise provided in or envisaged by these Conditions or the Issuer Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

##### (a) Negative Pledge

create or permit to subsist any mortgage, sub-mortgage, standard security, charge, sub-charge, pledge, lien (unless arising by operation of law) or other security interest whatsoever over any of its assets, property or undertakings, present or future (including any uncalled capital) or any interest, estate, right, title or benefit therein or use, invest or dispose of, including by way of sale or the grant of any security interest of whatsoever nature or otherwise deal with, or agree or attempt or purport to sell or otherwise dispose of or grant any option or right to acquire any such assets, property or undertakings present or future;

##### (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 Issuer Transaction Documents provide or envisage that the Issuer will engage in;
- (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985) or any employees or premises;
- (iii) amend, supplement or otherwise modify its Memorandum and Articles of Association or the Issuer Transaction Documents; or
- (iv) issue any further shares;

##### (c) Disposal of Assets

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire, any of its assets (including any uncalled capital) or

- undertakings or any interest, estate, right, title or benefit therein, present or future, or the assets subject to the Issuer Security;
- (d) Dividends or Distributions
- pay any dividend or make any other distribution to its shareholders or issue any further shares, other than in accordance with the Cash Management Agreement and the Issuer Deed of Charge;
- (e) Borrowings
- incur or permit to subsist any indebtedness in respect of borrowed money whatsoever, except in respect of the Notes or as contemplated by any Transaction Document or give any guarantee or indemnity in respect of any indebtedness or of any obligation of any person;
- (f) Merger
- consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;
- (g) Other
- permit the validity or effectiveness of any of the Issuer Transaction Documents, or the priority of the Security Interests created thereby, to be amended, terminated, postponed or discharged, or consent to any variation of, or exercise, any powers of consent or waiver pursuant to the terms of, the Trust Deed, these Conditions, the Issuer Deed of Charge or any of the other Issuer Transaction Documents, or permit any party to any of the Issuer Transaction Documents or any person whose obligations form part of the Issuer Security to be released from such obligations, or dispose of any part of the Issuer Security, save as envisaged in the Issuer Transaction Documents;
- (h) VAT
- be or apply to form or become part of any group of companies for VAT purposes (including any group of companies for the purposes of sections 43 to 43D (inclusive) of the Value Added Tax Act 1994) with any other company or group of companies unless required to do so by applicable law or regulations;
- (i) Bank accounts
- have an interest in any bank account other than the Issuer Transaction Account or the Stand-by Account, unless such account or interest therein is charged to the Note Trustee on terms acceptable to it;
- (j) Surrender of group relief
- offer or consent to surrender to any company any amounts which are available:
- (i) for surrender by way of group relief under Chapter IV of Part X of the Income and Corporation Taxes Act 1988; or
  - (ii) to be treated pursuant to section 102 Finance Act 1989 as amounts of United Kingdom corporation tax or interest paid by another company,
- save as provided in the Tax Deed of Covenant;

(k) Residence

do any act or thing, the effect of which would be to make the Issuer resident for Tax purposes in any jurisdiction other than the United Kingdom or its "centre of main interests" (within the meaning of both the Council Regulation (EC) no. 1346/2000 on insolvency proceedings and The Cross-Border Insolvency Regulations 2006, SI 2006/1030) to be in any jurisdiction other than England and Wales;

(l) Group Payment Arrangements

enter into arrangements with any other company or companies and/or any Tax Authority providing for the discharge of any other company's Tax liability by it;

(m) UK withholding tax

do any act or thing, or fail to do any act or thing, the effect of which would be that an amount for or on account of any Taxes imposed, levied, collected or assessed by or on behalf of any United Kingdom Tax Authority would be required to be withheld or deducted from any payment due to the Issuer under the Issuer/Borrower Loan Agreement; or

(n) Notional transfers of capital assets

enter into an election or other arrangements with any company and/or any Tax Authority for the deemed transfer to the Issuer and/or deemed disposal by the Issuer of any asset or part of an asset for the purposes of United Kingdom corporation tax on chargeable gains.

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 Issuer 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 the Note Trustee is satisfied that such modifications or additions will not cause any downgrade in the then current ratings of any Class of the Notes assigned by each Rating Agency.

#### 4.2. Cash Manager and Agent Bank

So long as any of the Notes remain 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 Accounts and an agent bank. Any appointment of a cash manager or agent bank (other than the initial Cash Manager or the initial Agent Bank) is subject to the prior written approval of the Note Trustee and the Borrower Security Trustee. The Cash Manager and the Agent Bank will not be permitted to terminate its appointment without, *inter alia*, the prior written consent of the Note Trustee and the Borrower Security Trustee.

### 5. INTEREST

#### 5.1. Period of Accrual

The Notes bear interest on their Principal Amount Outstanding from (and including) the Closing Date. Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused or default is otherwise made in respect of the payment. In such event, interest will continue to accrue thereon (as well after as before any judgment or decree) 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 is made or (if earlier) the seventh day after notice is duly given to the holder thereof (either in accordance

with **Condition 17** (Notices to Noteholders) 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.

## **5.2. Interest Payment Dates and Interest Periods**

Interest on the Notes is payable quarterly (other than in respect of the first Interest Period) in arrear on each Interest Payment Date in each year in respect of the Interest Period ending immediately prior thereto. If any Interest Payment Date would otherwise fall on a day which is not a Business Day, it shall be postponed to the next day which is a Business Day unless it would then fall into the next calendar month, in which event the Interest Payment Date shall be brought forward to the immediately preceding Business Day.

## **5.3. Rates of Interest**

The Floating Rate will be determined by the Agent Bank as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date.

The Floating Rates applicable to each Class of Notes for any Interest Period shall be the aggregate of:

- (a) the Relevant Margin for such Class of Notes; and
- (b) LIBOR;

There will be no minimum or maximum Floating Rate.

## **5.4. Determination of LIBOR**

For the purposes of determining each Floating Rate under **Condition 5.3** (Interest – Rates of Interest), LIBOR will be determined by the Agent Bank on the basis of the following provisions:

- (a) on each Interest Determination Date, the Agent Bank will determine the interest rate on sterling deposits for a period of three months (or, in respect of the first Interest Period, the rate obtained by the linear interpolation of the rates for two and three month sterling deposits) quoted on the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the Telerate Monitor, Telerate Screen No. 3750 (or (i) such other page as may replace Telerate Screen No. 3750 on that service for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one previously approved in writing by the Note Trustee) as may replace the Telerate Monitor) (the **LIBOR Screen Rate**)) at or about 11.00 a.m. (London time) on the Interest Determination Date in question; and
- (b) if, on any Interest Determination Date, the LIBOR Screen Rate is unavailable, the Agent Bank will request each Reference Bank to provide the Agent Bank with its offered quotation to leading banks for three month sterling deposits in an amount that is representative for a single transaction in the market at that time in London for same day value as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Floating Rate for the relevant Interest Period shall be the arithmetic average (rounded, if necessary, to the nearest one thousandth of a percentage point, 0.0005 being rounded upwards) of the offered quotations of those Reference Banks and the Relevant Margin. If, on any such Interest Determination Date, two or three only of the Reference Banks provide such offered quotations to the Agent Bank, the Floating Rate for the relevant Interest Period shall be determined, as aforesaid, on the

basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, one only or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Note Trustee and the Issuer for the purpose of agreeing two banks (or, where one only of the Reference Banks provides such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks is or are in the opinion of the Note Trustee suitable for such purpose) and the Floating Rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the rate of interest for the relevant Interest Period shall be the Floating Rate in effect for the last preceding Interest Period to which paragraph (a) or the foregoing provisions of this paragraph (b) shall have applied.

#### **5.5. Determination of Floating Rates and Calculation of Interest Amounts for Notes**

The Agent Bank shall, on or as soon as practicable after each Interest Determination Date but in no event later than the third Business Day thereafter, determine, and notify the Issuer, the Note Trustee, the Swap Counterparty, the Cash Manager and the Paying Agents of (a) the Floating Rates applicable to each Class of Notes for the Interest Period beginning on and including the Interest Payment Date relating to such Interest Determination Date and (b) the Interest Amount payable in respect of such Interest Period in respect of each Class of Notes.

#### **5.6. Publication of Floating Rates, Interest Amounts and other Notices**

As soon as practicable after receiving notification thereof and in no event later than the second Business Day thereafter, the Issuer will cause the Floating Rate and the Interest Amount applicable to each Class of Notes for each Interest Period and the immediately succeeding Interest Payment Date to be notified to the Stock Exchange (for so long as the Notes are admitted to trading on the Stock Exchange) and will cause notice thereof to be given to the Noteholders in accordance with **Condition 17** (Notices to Noteholders). The Interest Amounts and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

#### **5.7. Determination or Calculation by the Note Trustee**

If the Agent Bank does not at any time for any reason determine a Floating Rate for any Class or Classes of Notes and/or calculate the Interest Amount for any Class or Classes of Notes in accordance with the foregoing Conditions, the Note Trustee may (but without any liability accruing to the Note Trustee as a result) (a) determine the Floating Rate for such Class or Classes of Notes 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) (b) calculate the Interest Amount for any such Class or Classes of the Notes in the manner specified in these Conditions, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

#### **5.8. Deferral of Payment**

- (a) Interest on the Notes is payable subject to, and in accordance with the order of priorities set out in the Pre-Enforcement Priority of Payments, the Post-Enforcement/Pre-Acceleration Priority of Payments or the Post-Acceleration Priority of Payments as applicable. If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any Deferred Interest (as defined below) and accrued interest thereon)

payable in respect of any Class of Notes (other than the Most Senior Class of Notes) after having paid or provided for items of higher priority, then the Issuer shall be entitled to defer, to the next Interest Payment Date, the payment of interest in respect of that Class of Notes to the extent only of any insufficiency of funds after having paid or provided for all amounts specified as having a higher priority than interest payable in respect of that Class of Notes.

- (b) Any amount of interest (including any Deferred Interest arising on any preceding Interest Payment Date and accrued interest thereon) on any Class of Notes (other than the Most Senior Class of Notes) which is not due and payable on an Interest Payment Date as a result of the provisions of this **Condition 5.8** is the **Deferred Interest** arising on any such Interest Payment Date. Interest will accrue on the amount of any such Deferred Interest at the rate from time to time applicable to that Class of Notes and on the same basis as interest then applicable to that Class of Notes. Any Deferred Interest and accrued interest thereon is payable on the next Interest Payment Date unless and to the extent that this **Condition 5.8** applies.
- (c) As soon as practicable after becoming aware that any part of a payment of interest on a Class of Notes (other than the Most Senior Class of Notes) will be deferred or that a payment previously deferred will be made in accordance with this **Condition 5.8** the Issuer will give notice thereof to the Noteholders of such Class in accordance with **Condition 17** (Notices to Noteholders). Any deferral of interest in accordance with this **Condition 5.8** will not constitute a Note Event of Default. The provisions of this **Condition 5.8** shall cease to apply on the Final Maturity Date or any earlier date on which the Notes become repayable in full or upon acceleration of the Notes pursuant to **Condition 11** (Events Of Default), at which time all Deferred Interest and accrued interest thereon shall become due and payable.

## 6. NOTIFICATIONS

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of **Condition 5** (Interest), whether by the Reference Banks (or any of them) or the Agent Bank or the Note Trustee shall (in the absence of wilful default, negligence, fraud or manifest error) be binding on the Issuer, the Agent Bank, the Note Trustee, the Cash Manager, the Paying Agents, all Noteholders and Couponholders and (in such absence as aforesaid) no liability to the Issuer, the Noteholders or Couponholders shall attach to the Reference Banks, the Agent Bank or the Note Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

## 7. REDEMPTION AND CANCELLATION

### 7.1. Final Redemption

Unless previously redeemed in full and cancelled as provided in this **Condition 7** (Redemption and Cancellation), the Issuer shall redeem the Notes at their Principal Amount Outstanding together with accrued interest on the Interest Payment Date falling in October 2015.

Without prejudice to **Condition 11** (Events Of Default), the Issuer shall not redeem the Notes in whole or in part prior to that date except as provided in **Condition 7.2** (Redemption for Taxation or Other Reasons) or **Condition 7.3** (Mandatory Redemption in whole or in part) or **Condition 7.4** (Optional Redemption in whole or in part).

### 7.2. Redemption for Taxation or Other Reasons

- (a) If the Issuer at any time satisfies the Note Trustee immediately prior to the giving of the notice referred to below either that (i) the Issuer would, on the occasion of the next Interest Payment Date, become subject to tax on its income in more than one jurisdiction or be required to make

any withholding or deduction from any payment of principal or interest in respect of any of the Notes, or the Issuer would suffer any withholding or deduction from any payment in respect of the Issuer/Borrower Loans, for or on account of any present or future Tax of whatsoever nature incurred or levied by or on behalf of the United Kingdom or any Tax Authority thereof or therein having power to tax or (ii) by reason of a change in law, which change becomes effective on or after the Closing Date, it has become unlawful for the Issuer to make, lend or allow to remain outstanding all or any advances made or to be made by it under the Issuer/Borrower Loan Agreement, then the Issuer shall inform the Note Trustee accordingly and shall, in order to avoid the event described, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes in accordance with **Condition 14.6** (Substitution of Principal Debtor).

- (b) If the Issuer is unable to arrange such a substitution which would have the result of avoiding the event described above, then the Issuer shall, having given not more than 60 nor less than 10 days' notice (or in the case of paragraph (a)(ii) above, such shorter notice period expiring on or before the latest date permitted by the relevant law) to the Noteholders in accordance with **Condition 17** (Notices to Noteholders), redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with accrued interest on the next Interest Payment Date, provided that, prior to giving any such notice, the Issuer shall have satisfied the Note Trustee that it will have the funds, not subject to the interest of any other person, required to fulfil its obligations hereunder in respect of the Notes and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Note Trustee a certificate signed by two directors of the Issuer stating that the event described above will apply on the occasion of the next Interest Payment Date and cannot be avoided by the Issuer using reasonable endeavours to arrange a substitution as aforesaid and that the Issuer will have the funds referred to above; and the Note Trustee shall accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above and it shall be conclusive and binding on the Noteholders.

### **7.3. Mandatory Redemption in whole or in part**

The Borrower has the option under the Issuer/Borrower Loan Agreement to repay all or part of the Issuer/Borrower Loans on any Interest Payment Date. If the Borrower voluntarily prepays all or part of the Issuer/Borrower Loans (excluding, for the avoidance of doubt, any Loan Tax Prepayment), the Borrower will prepay the A Facilities in such order as it determines in its discretion. The Borrower will be under an obligation to prepay the Issuer/Borrower Loans in the amount specified therein upon the occurrence of certain events specified in the Issuer/Borrower Loan Agreement, including following (i) the sale or other disposal of a Property or a Propco, (ii) the receipt of certain insurance proceeds and (iii) a prepayment of all or part of the Intra-Group Loans. If the Borrower is obliged to prepay all or part of the Issuer/Borrower Loans or it makes any Loan Tax Prepayment, the Borrower will prepay the A Facilities *pro rata*. In each case, the Issuer shall, provided that it gives no more than 60 and no less than 10 Business Days' notice to the Note Trustee and to the Noteholders in accordance with **Condition 17** (Notices to Noteholders), apply such prepayment to redeem *pro rata* the principal amount of the Corresponding Class of Notes outstanding on such Interest Payment Date together with accrued interest.

### **7.4. Optional Redemption in whole or in part**

The Issuer has the option to redeem all or part of the Notes or all or part of any Class of Notes on any Interest Payment Date provided that it gives not more than 60 nor less than 10 Business Days' notice to the Note Trustee and to the Noteholders in accordance with **Condition 17** (Notices to Noteholders) and that prior to the publication of each notice of redemption the Issuer has provided to the Note Trustee a certificate signed by two directors of the Issuer to the



effect that it will have the funds on the relevant Interest Payment Date, not subject to the interest of any other person, required to redeem such Notes at their respective Principal Amount Outstanding together with accrued interest pursuant to this Condition and to discharge in full all payment obligations that rank in priority to, or *pari passu* with, the Notes under the Pre-Enforcement Priority of Payments.

#### **7.5. Notice of Redemption**

Any such notice as is referred to in **Condition 7.2** (Redemption and Cancellation – Redemption for Taxation or Other Reasons) **Condition 7.3** (Mandatory Redemption in whole or in part) or **Condition 7.4** (Optional Redemption in whole or in part) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes in the amounts specified in such notice (provided such amounts are in compliance with these Conditions).

#### **7.6. No Purchase by Issuer**

The Issuer may not purchase Notes.

#### **7.7. Cancellation**

All Notes redeemed in full pursuant to the foregoing provisions will be cancelled forthwith, together with any unmatured and unused Coupons and Talons appertaining thereto and attached thereto or surrendered therewith, and may not be resold or re-issued.

### **8. PAYMENTS**

- 8.1. Payments of principal and interest will be made against presentation and surrender of the relevant Note or Coupon at the specified office of any Paying Agent. Such payment will be made in sterling at the specified office of any Paying Agent by transfer to a sterling account maintained by the payee with a bank in London. No payment with respect to any Note will be made at an office of any Paying Agent in the United States or by transfer to an account in the United States.
- 8.2. Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.
- 8.3. Upon the date upon which any Note becomes due and payable in full, unmatured Coupons appertaining thereto (whether or not attached to such Note) shall become void and no payment or, as the case may be, exchange shall be made in respect thereof. If the due date for redemption of any Note is not an Interest Payment Date, accrued interest will be paid only against presentation and surrender of such Note. As used herein, "unmatured" Coupons include any Talon insofar as it relates entirely to unmatured Coupons.
- 8.4. 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 5.1 (Interest – Period of Accrual) will be paid against presentation of such Note at the specified office of any Paying Agent.
- 8.5. The Principal Paying Agent and its initial specified office are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a Paying Agent with a specified office in London. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with Condition 17 (Notices to Noteholders).

- 8.6. If the due date for payment of any amount in respect of any Note or Coupon is not a Business Day in the place of presentation, payment shall not be made on such day but on the next Business Day in the same calendar month (if there is one), or the preceding Business Day (if there is not), and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Coupon or, as the case may be, such Note.
- 8.7. On or after the Interest Payment Date specified on each final Coupon forming part of any Coupon sheet, the Talon may be surrendered at any specified office of any Paying Agent in exchange for a further Coupon sheet (including a further Talon but excluding any Coupon which shall have become void). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.

## 9. TAXATION

All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Notes subject to any such withholding or deduction. In that event, the Issuer or such Paying Agent (as the case may be) shall be entitled to withhold or deduct the required amount for or on account of Tax from such payment and shall account to the relevant Tax Authorities for the amount so withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person will be obliged to make any additional payments to holders of Notes in respect of any amounts so withheld or deducted.

## 10. PRESCRIPTION

Claims in respect of the Notes shall become void unless the relevant Notes or Coupons are presented for payment within a period of ten years, in the case of principal, and five years, in the case of interest from the relevant date in respect thereof. After the date on which a Note or a Coupon becomes void in its entirety, no claim may be made in respect thereof. In this Condition, the "relevant date" is the date on which the payment in question first becomes due or (if the full amount of the monies payable has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with **Condition 17** (Notices to Noteholders).

## 11. EVENTS OF DEFAULT

For so long as any Notes are outstanding, the Note Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding shall, (subject, in each case, to being indemnified and/ or secured to its satisfaction), give a Note Acceleration Notice to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events (each a **Note Event of Default**):

- (a) default is made for a period of five Business Days from the due date thereof in the payment of principal in respect of, or default is made for a period of five Business Days from the due date thereof in the payment of interest on, any Note as and when the same ought to be paid in accordance with these Conditions provided that a deferral of interest in accordance with **Condition 5.8** (Deferral of Payment) shall not constitute a default in the payment of such interest for the purposes of this **Condition 11(a)**; or
- (b) default is made by the Issuer in the performance or observance of any other obligation binding upon it under any of the Notes, the Trust Deed, the Issuer Deed of Charge or

the other Issuer Transaction Documents to which it is a 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 30 days following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

- (c) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as referred to in **Condition 11(e)** (Events Of Default) below, ceases or, through an official action 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 unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 (as that section may be amended); or
- (d) it has or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes and/or the Issuer Transaction Documents;
- (e) an order is made by any competent court or an effective resolution is passed for the winding-up of the Issuer except a solvent 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 each Class of Noteholders; or
- (f) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order, documents being filed with a court for the appointment of an administrator or notice of intention to appoint an administrator being served by its shareholders, directors or other officers) and such proceedings are not, in the opinion of the Note Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order shall be granted or an administrative receiver or other receiver, liquidator or other similar official shall be appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertakings or assets of the Issuer, or an encumbrancer shall take possession of the whole or any substantial part of the undertakings or assets of the Issuer, or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertakings or assets of the Issuer and such possession or process (as the case may be) shall not be discharged or otherwise ceases to apply within 30 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 either of the events described in paragraphs (b) or (d) above, the Note Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding.

For the avoidance of doubt, upon any declaration being made by the Note Trustee in accordance with this **Condition 11** (Events Of Default) that the Notes are due and repayable, each of the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

## **12. ENFORCEMENT OF NOTES**

- 12.1. The Note Trustee may, at any time, at its discretion and without giving any notice take such proceedings against the Issuer or any other person as it may think fit to enforce the provisions of the Notes, the Trust Deed, the Issuer Deed of Charge and any other Issuer Transaction Document, to which it is a party and at any time after the giving of a Note Acceleration

Notice, the Note Trustee may, at its discretion and without further notice, take such steps as it may think fit to enforce the Issuer Security but it shall not be bound to take any such proceedings or steps unless it shall have been (a) so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding, or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; and (b) indemnified and/or secured to its satisfaction.

- 12.2. No Noteholder shall be entitled to proceed against the Issuer or any other party to the Transaction Documents or to enforce the Issuer Security unless the Note Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. The Note Trustee cannot, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any of the Issuer Secured Creditors (other than the Noteholders) under the Issuer Deed of Charge.

### **13. MEETINGS OF NOTEHOLDERS**

#### **13.1. Convening**

The Trust Deed contains provisions which regulate the convening of separate or combined meetings of the Noteholders of each Class to consider any matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the provisions of the Trust Deed, the Notes or these Conditions or the provisions of any of the other Issuer Transaction Documents.

#### **13.2. Request from Noteholders**

A meeting of each Class of Noteholders may be convened by the Note Trustee or the Issuer at any time and must be convened by the Note Trustee or the Issuer upon the request in writing of holders of such Class holding not less than 10 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that Class.

#### **13.3. Quorum**

The Trust Deed provides that:

- (a) subject to paragraphs (b) and (c) below, at any Meeting, two or more persons present holding voting certificates or being proxies and holding or representing, in the aggregate, not less than one-twentieth of the aggregate Principal Amount Outstanding of the Notes of the relevant Class for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than choosing a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of the meeting;
- (b) subject to paragraph (c) the quorum at any Meeting to pass an Extraordinary Resolution, other than regarding a Basic Terms Modification, will be two or more persons present holding voting certificates or being proxies and holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Notes of the relevant Class then outstanding or, at any adjourned such meeting, two or more persons being or representing Noteholders of the relevant Class, whatever the aggregate Principal Amount Outstanding of the Notes of such Class then outstanding so held or represented; and
- (c) the quorum at any meeting for passing an Extraordinary Resolution to sanction a Basic Terms Modification will be two or more persons present holding voting certificates, or being proxies, and holding or representing, in the aggregate, not less than one half of the aggregate Principal Amount Outstanding of the Notes of the relevant Class then

outstanding or, at any adjourned such meeting, one or more persons holding or representing in the aggregate not less than one-quarter of the Principal Amount Outstanding of the Notes of such Class then outstanding.

#### **13.4. Relationship between Classes**

- (a) No Extraordinary Resolution involving a Basic Terms Modification that is passed by the holders of one Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of each other Class of Notes at a separate meeting convened for that purpose (to the extent that there are Notes outstanding of that Class);
- (b) no Extraordinary Resolution to approve any matter (other than a Basic Terms Modification) that is passed by the holders of any Class of Notes other than the Most Senior Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of the Most Senior Class of Notes, or the Note Trustee considers that the interests of the holders of the Most Senior Class of Notes would not be materially prejudiced by the implementation of such Extraordinary Resolution;
- (c) any resolution passed at a meeting of the Noteholders of any Class duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such Class, whether or not present at such meeting and whether or not voting and upon Couponholders of such Class; and
- (d) subject to paragraph (a) above, any resolution passed at a meeting of the holders of the Most Senior Class of Notes which is duly convened and held as aforesaid shall also be binding upon the holders of each other Class of Notes and Couponholders relating thereto.

#### **13.5. Resolution in Writing**

An Extraordinary Resolution may be passed in writing if it is signed by or on behalf of not less than 90 per cent. in aggregate Principal Amount Outstanding of the Noteholders of a Class, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of that Class and shall be as valid, effective and binding as a resolution duly passed at a meeting held in accordance with these Conditions.

### **14. MODIFICATION, WAIVER AND SUBSTITUTION**

#### **14.1. Modifications**

The Note Trustee may concur with the Issuer and any other relevant parties but without the consent or sanction of the Noteholders or the Couponholders in making any modification to these Conditions, the Trust Documents, the Notes or the other Issuer Transaction Documents to which it is a party or over which it has security, or may give its consent to any event, matter or thing (other than in the case of paragraphs (a), (c) or (d) below, in respect of a Basic Terms Modification), if:

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

- (c) it is required or permitted, subject to the satisfaction of specified conditions, under the terms of these Conditions or the Transaction Documents provided such conditions are satisfied; or
- (d) it is satisfied that the then current ratings of the Notes will not be subject to downgrade, withdrawal or suspension or put on negative credit watch, in relation thereto and it considers that such test is an appropriate test or the only appropriate test to apply in that circumstance in exercising any such power, trust, authority, duty or discretion or, as the case may be, in giving the relevant consent.

#### **14.2. Waiver**

In addition the Note Trustee may (subject as provided in **Condition 14.3(c)** (Waiver – Restriction on Power to Waive) below), without the consent or sanction of the Noteholders, the Couponholders or the Issuer Secured Creditors and without prejudice to its rights in respect of any subsequent breach, Note Event of Default or potential Note Event of Default, authorise or waive any proposed breach or breach by the Issuer or any other person of the covenants or provisions contained in the Trust Deed, the Notes or any other Issuer Transaction Document (including a Note Event of Default) or determine that any Note Event of Default or potential Note Event of Default shall not be treated as such, but only if and in so far as, in its opinion, the interests of the holders of the Most Senior Class of Notes then outstanding shall not be materially prejudiced thereby.

In connection with any substitution of principal debtor as is referred to in **Condition 14.6** (Substitution of Principal Debtor), the Note Trustee may also agree, without the consent of the Noteholders, the Couponholders or any other Issuer Secured Creditor, to a change of the laws governing the Notes and/or the Issuer Transaction Documents to which the Note Trustee is a party or over which it has security, provided that such change would not, in the opinion of the Note Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding.

#### **14.3. Restriction on Power to Waive**

The Note Trustee shall not exercise any powers conferred upon it by **Condition 14.2** (Modification, Waiver and Substitution – Waiver) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, but so that no such direction or request shall:

- (a) affect any authorisation, waiver or determination previously given or made;
- (b) authorise or waive any such proposed breach or breach relating to a Basic Terms Modification unless the holders of each other Class of Notes have authorised or waived any such proposed breach or breach pursuant to an Extraordinary Resolution of the holders of each such other Class of Notes then outstanding; or
- (c) authorise or waive any such proposed breach or breach relating to the Liquidity Facility Agreement unless the Liquidity Facility Provider consents to such authorisation or waiver.

#### **14.4. Notification**

Unless the Note Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders in accordance with

**Condition 17** (Notices to Noteholders) and the other Issuer Secured Creditors in accordance with the Issuer Transaction Documents, as soon as practicable after it has been made.

#### **14.5. Binding Nature**

Any authorisation, waiver, determination or modification made in accordance with **Condition 14.1** (Modification, Waiver and Substitution – Modifications) or **Condition 14.2** (Modification, Waiver and Substitution – Waiver) shall be binding on the Noteholders and the Couponholders.

#### **14.6. Substitution of Principal Debtor**

If the Issuer at any time satisfies the Note Trustee (by way of legal opinions, directors certificates or otherwise) immediately prior to giving the notice referred to below that, as a result of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date:

- (a) on the next Interest Payment Date, the Issuer would be required to deduct or withhold from any payment of principal or interest in respect of any Note (other than where the relevant holder or beneficial owner has some connection with the United Kingdom other than the holding of Notes) any amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by or on behalf of any United Kingdom Tax Authority; or
- (b) the Issuer would not be entitled to relief for United Kingdom tax purposes for any material amount which it is obliged to pay, or would be treated as receiving for United Kingdom Tax purposes any material amount which it is not entitled to receive, in each case under the Issuer Transaction Documents to which it is a party; or
- (c) on the next Interest Payment Date, the Borrower would be required to deduct or withhold from any payment due to be made by it under the Issuer/Borrower Loan Agreement any amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by or on behalf of any United Kingdom Tax Authority,

then the Issuer shall inform the Note Trustee accordingly and the Issuer shall, in order to avoid the relevant event described in (a) (b) or (c) above, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved by the Note Trustee as principal debtor under the Notes.

The Note Trustee shall agree, subject to such amendment of these Conditions and of any of the Issuer Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, or the Couponholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and in respect of the other Issuer's obligations under the Issuer Transaction Documents, subject to the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets and/or contractual rights and obligations of the Issuer are transferred to such body corporate (being a single purpose vehicle)) and an undertaking to be bound by provisions corresponding to those set out in **Condition 4** (Covenants) and the covenants applying to the Issuer under the Trust Deed.

#### **15. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE**

The Trust Deed and certain of the Issuer Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and for its indemnification in certain circumstances, including provisions relieving it from taking

enforcement proceedings or enforcing the Issuer Security or directing the Borrower Security Trustee to enforce the Obligor Security unless indemnified and/or secured to its satisfaction. The Note 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 the Obligor 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 Issuer Transaction Documents, clearing organisations or their operators or by intermediaries such as banks, depositories, warehousemen or other similar persons on behalf of the Note Trustee.

The Trust Deed contains provisions pursuant to which the Note Trustee or any of its related companies is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any other person who is party to the Issuer Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or any of their subsidiary or associated companies, (b) 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 (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trust Deed also relieves the Note Trustee of liability for not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Issuer Deed of Charge. The Note Trustee has no responsibility in relation to the validity, sufficiency and enforceability of the Issuer Security or the Borrower Security. The Note Trustee will not be obliged to take any action which might result in its incurring personal liabilities unless indemnified and/or secured to its satisfaction or to supervise the performance by the Cash Manager, the Account Bank, the Paying Agents or any other person of their obligations under the Issuer Transaction Documents or the Borrower Transaction Documents and the Note Trustee shall assume, until it has written notice to the contrary, that all such persons are properly performing their duties, notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

The Trust Deed and the Issuer Deed of Charge contain other provisions limiting the responsibility, duties and liability of the Note Trustee.

## **16. REPLACEMENT OF NOTES AND COUPONS**

If any Note Coupon or Talon is mutilated, defaced, lost or destroyed, it may be replaced at the specified office of any Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Note Coupon or Talon will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Notes Coupons or talons must be surrendered before new ones will be issued.

## **17. NOTICES TO NOTEHOLDERS**

Any notice to the Noteholders shall be validly given if published in the Financial Times and the Irish Times or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Note Trustee shall approve having a general circulation in Ireland. 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.



Notices to Noteholders may be given by delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear for communication by them to Noteholders provided that so long as the Notes are listed on the Stock Exchange, the Stock Exchange so agrees. Any notice delivered to Clearstream, Luxembourg and/or Euroclear as aforesaid shall be deemed to have been given on the day of such delivery.

A copy of each notice given in accordance with this **Condition 17** (Notices to Noteholders) shall be provided to each of the Rating Agencies which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer, with prior written approval of the Note Trustee, to provide a credit rating in respect of the Notes) if they are then rating the Notes and, for so long as the Notes of any Class are admitted to listing on the Stock Exchange, to the Stock Exchange. 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.

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

Couponholders will be deemed for all purposes to have notices of the contents of any notice given to the Noteholders in accordance with this Condition.

## **18. RIGHTS OF THIRD PARTIES**

Neither this Note nor any Coupon confers any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note or any such Coupon, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

## **19. EUROPEAN ECONOMIC AND MONETARY UNION**

19.1. If the United Kingdom becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders and Couponholders, on giving at least 30 days' prior notice to the Noteholders and Couponholders and the Paying Agents and having notified the Note Trustee prior to the provision of such notice, designate a Redenomination Date, being an Interest Payment Date falling on or after the date on which the United Kingdom becomes a Participating Member State.

19.2. Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

- (a) the Notes shall be deemed to be redenominated in Euro in the denomination of Euro 0.01 with a principal amount for each Note equal to the principal amount outstanding of that Note in sterling converted into Euro at the rate for conversion of sterling into Euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Note Trustee, that the then market practice in respect of the redenomination into Euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each stock exchange and/or quotation system (if any) by which the Notes have then been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments,

- (b) if the Notes have been issued in definitive form:
  - (i) all unmatured Coupons denominated in sterling (whether or not attached to the Notes) will become void with effect from the Euro Exchange Date on which the Issuer gives the Euro Exchange Notice to the Noteholders and the Note Trustee that replacement Notes and Coupons denominated in Euro are available for exchange (provided that such Notes and Coupons are available) and no payments will be made in respect thereof;
  - (ii) the payment obligations contained in all Notes denominated in sterling will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this **Condition 19** (European Economic and Monetary Union)), shall remain in full force and effect; and
  - (iii) new Notes and Coupons denominated in Euro will be issued in exchange for Notes and Coupons denominated in Sterling in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice;
- (c) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as Sterling ceases to be a sub-division of the Euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) maintained by the payee with, a bank in a city in which banks have access to the TARGET System;
- (d) a Note or Coupon may only be presented for payment on a day which is a Business Day in the place of presentation and which is also a day on which the TARGET System is operating; and
- (e) Following redenomination of the Notes pursuant to this **Condition 19** (European Economic and Monetary Union) where Notes have been issued in definitive form, the amount of interest due in respect of the Notes will be calculated by reference to the principal amount then outstanding of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest Euro 0.01.

## 20. FURTHER NOTES, REPLACEMENT NOTES AND NEW NOTES

### 20.1. Further Notes

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time, on any date by the creation and issue of further notes (**Further Notes**) carrying the same terms and conditions in all respects (or in all respects except for the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, any Class of the Notes provided that:

- (a) the aggregate principal amount of all Further Notes to be issued on such date is not less than £3,000,000;
- (b) any Further Notes are assigned the same ratings as are then applicable to the Class of Notes with which they are to be consolidated and form a single series;

- (c) the ratings of each Class of Notes at that time outstanding are not adversely affected as a result of such issue of Further Notes and none of such ratings is lower than it was upon the date of issue of any of the Notes;
- (d) an amount equal to the aggregate principal amount of such Further Notes will be on-lent by the Issuer pursuant to the provisions of the Issuer/Borrower Loan Agreement; and
- (e) application will be made, in respect of the Further Notes, for such notes to be admitted to trading on the Stock Exchange and admitted to the Official List of the Stock Exchange or, if the Notes then issued are no longer admitted to that exchange, such exchange, if any, on which the Notes then issued are then admitted to.

## 20.2. Replacement Notes

The Issuer may, without the consent of the Noteholders, issue one or more Classes of replacement notes (the **Replacement Notes**) to replace one or more Classes of the Notes, each Class of which shall have the same terms and conditions in all respects as the Class of Notes which is replaced (except for the rate of interest applicable to such Replacement Notes which, if not the same, must be lower than the rate of interest applicable to the Class of Notes being replaced and except that such Replacement Notes may have the benefit of a financial guarantee or similar arrangement (a **Financial Guarantee**)), and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the Class of Notes which it replaces, provided that the Class or Classes of Notes to be replaced are redeemed in full in accordance with **Condition 7.4** (Optional Redemption in whole or in part) and the conditions to the issue of Further Notes as set out in **Condition 20.1(a), (c), (d) and (e)** are satisfied, *mutatis mutandis*, in respect of such issue of Replacement Notes and provided further that, for the purposes of this **Condition 20.2**, (i) where interest in respect of the Replacement Notes or the Class of Notes being replaced is payable on a floating rate basis, the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced shall be deemed to be the fixed rate payable by the Borrower under the interest rate exchange agreement entered into by the Borrower in relation to the relevant Loan under the Issuer/Borrower Loan Agreement corresponding to the Replacement Notes or, as the case may be, the Class of Notes being replaced; and (ii) where the Replacement Notes or the Class of Notes being replaced have the benefit of a Financial Guarantee, the guarantee fee and any other amounts payable to the provider of the Financial Guarantee, other than any such amounts the payment of which is subordinated to payments in respect of all of the Notes, (expressed as a percentage rate per annum on the principal amount of the Replacement Notes or, as the case may be, the Class of Notes being replaced) shall be added to the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced.

## 20.3. New Notes

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time and on any date, by the creation and issue of new notes (**New Notes**) which may rank *pari passu* with the Class A Notes, or after the Class A Notes but ahead of the Class B Notes, or *pari passu* with the Class B Notes, or after the Class B Notes but ahead of the Class C Notes, or *pari passu* with the Class C Notes, or after the Class C Notes and which may have terms and conditions which differ from the Notes and which may have the benefit of a Financial Guarantee and which do not form a single series with any other Class of Notes provided that the conditions to the issue of Further Notes as set out in **Condition 20.1(a), (c), (d) and (e)** are satisfied, *mutatis mutandis*, in respect of such issue of New Notes.

#### **20.4. Supplemental trust deeds and security**

Any such Further Notes, Replacement Notes or New Notes will be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of the security constituted by the Issuer Deed of Charge. Any of the Transaction Documents may be amended, and further Transaction Documents may be entered into, in connection with the issue of such Further Notes, Replacement Notes or New Notes and the claims of the parties to any amended Transaction Document or any further Transaction Document may rank ahead of, *pari passu* with, or behind, any Class or Classes of the Notes, provided, in each case, that the condition set out in **Condition 20.1(c)** is satisfied, *mutatis mutandis*.

#### **21. POST-ENFORCEMENT CALL OPTION**

In the event that the Issuer Security is enforced and, after payment of all other claims ranking in priority to the Notes (in accordance with the applicable Priority of Payments), the remaining proceeds of such enforcement are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of any Class or Classes of Notes and all other claims ranking *pari passu* with such Class or Classes of Notes, and following distribution of such remaining proceeds in accordance with the Post-Enforcement Priority of Payments, then the Noteholders of such Class or Classes shall, upon the Issuer Security having been enforced and realised to the maximum possible extent as certified by the Note Trustee, at the request of Optionco or its assignee or transferee, transfer for the consideration of one penny per Note (each Note being in a denomination of £50,000) all (but not some only) of such Class or Classes of Notes to Optionco pursuant to the option granted to it by the Note Trustee (as agent for the Noteholders) pursuant to a post-enforcement call option agreement (the **Post-Enforcement Call Option Agreement**) dated on or about the Closing Date, between, *inter alios*, the Issuer, Optionco and the Note Trustee. Immediately upon such transfer, no such former Noteholder shall have any further interest in such Class or Classes of Notes.

Each Noteholder acknowledges that the Note Trustee has the authority and the power to bind the Noteholders of each Class in accordance with the terms and conditions set out in the Post Enforcement Call Option Agreement and each Noteholder, by subscribing for or purchasing the relevant Class of Notes, agrees to be so bound.

Notice of such determination will be given by the Note Trustee to the Noteholders in accordance with **Condition 17**. The consideration will be paid in the same manner as payment of principal under these Conditions.

#### **22. GOVERNING LAW**

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

## UNITED KINGDOM TAXATION

*The following is a summary of the Issuer's understanding of current United Kingdom tax law and H.M. Revenue & Customs' generally published practice as at the date of this Offering Circular relating to certain aspects of the United Kingdom taxation of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of Noteholders (such as dealers). The comments are made on the assumption that there will be no substitution of the Issuer pursuant to the Trust Deed or **Condition 14.6** and do not consider the tax consequences of any such substitution.*

*The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions). In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.*

### **(A) Interest on the Notes**

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

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

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax. In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, or, where a Noteholder is associated with the Issuer, resident in a Member State of the EU and entitled in practice to the benefit of the European Council Directive 2003/49/EC, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

## **2. Provision of Information**

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

## **3. Further United Kingdom tax issues for non-United Kingdom resident Noteholders**

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

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which interest is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may be relevant for such Noteholders.

### **(B) United Kingdom corporation tax payers**

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

### **(C) Other United Kingdom tax payers**

#### **1. Taxation of chargeable gains**

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

#### **2. Accrued income scheme**

On a disposal of Notes by a Noteholder, any interest which has accrued between the last Interest Payment Date and the date of disposal may be chargeable to tax as income under the rules of the "*accrued income scheme*" as set out in Chapter II of Part XVII of the Act, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable. Noteholders should note that, in December 2004, HMRC announced that the accrued income scheme is to be reformed following a further period of consultation. It is not currently known whether or in what form any changes arising from the consultations will be enacted and it is possible that, when any changes are enacted, they may affect the taxation treatment described in this paragraph.

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

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

**(E) EU Directive on the Taxation of Savings Income**

Under the EU Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependant upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories, including Switzerland, have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

## SUBSCRIPTION AND SALE

The Lead Manager has, pursuant to a subscription agreement dated 25 July 2006 and entered into by, *inter alios*, the Lead Manager, the Issuer, the Obligors and London and Regional Commercial Properties Holdings Limited (the **Subscription Agreement**), agreed subject to certain conditions, to procure subscribers and failing which itself to subscribe and pay for:

- (a) the Class A Notes at an issue price of 100 per cent. of the principal amount thereof;
- (b) the Class B Notes at an issue price of 100 per cent. of the principal amount thereof; and
- (c) the Class C Notes at an issue price of 100 per cent. of the principal amount thereof;

The Issuer has agreed to pay to the Lead Manager a management commission.

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

### **Austria**

No prospectus has been or will be approved and/or published pursuant to the Austrian Capital Markets Act (Kapitalmarktgesetz) as amended. Neither this document nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this document nor any other document connected therewith may be distributed, passed on or disclosed to any other person in Austria, save as specifically agreed with the Lead Manager. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. The Lead Manager has represented and agreed that it will offer the Notes in Austria only in compliance with the provisions of the Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

### **Belgium**

The offering circular and related documents are not intended to constitute a public offer in Belgium and may not be distributed to the Belgian public. The Belgian Commission for Banking, Finance and Insurance has not reviewed nor approved these documents or commented as to their accuracy or adequacy or recommended or endorsed the purchase of Notes.

The Lead Manager has represented and agreed that it will not:

- (a) offer for sale, sell or market in Belgium such Notes by means of a public offer within the meaning of the Law of 22 April 2003 on the public offer of securities; or
- (b) sell Notes to any person qualifying as a consumer within the meaning of Article 1.7° of the Belgian law of 14 July 1991 on consumer protection and trade practices unless such sale is made in compliance with this law and its implementing regulation.

### **Denmark**

The Lead Manager has represented to, and agreed with, the Issuer, that the Notes have not been offered or sold and will not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark by way of a public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 843 of 7 September, 2005 as amended from time to time and any Orders issued thereunder.



## France

The Lead Manager has represented to, and agreed with, the Issuer that:

- (a) it has only made and will only make an offer of Notes to the public (*appel public à l'épargne*) in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* (AMF), on the date of such publication or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF, and ending at the latest on the date which is 12 months after the date of such publication; or
- (b) it has only made and will only make an offer of Notes to the public in France (*appel public à l'épargne*) and/or it has only required and will only require the admission to trading on Euronext Paris S.A. in circumstances which do not require the publication by the offeror of a prospectus pursuant to articles L.411-2 and L.412-1 of the French *Code monétaire et financier*; and
- (c) otherwise, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Offering Circular or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) qualified investors (*investisseurs qualifiés*), all as defined in, and in accordance with, articles L.411-1, L.411-2, D.411-1 of the French *Code monétaire et financier*.

## Ireland

The Lead Manager has represented to and agreed with, the Issuer that:

- (a) in respect of a local offer (within the meaning of section 38(1) of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland) of Notes in Ireland, it has complied and will comply with section 49 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland;
- (b) it has complied and will comply with all applicable provisions of the Investment Intermediaries Acts, 1995 to 2000 of Ireland (as amended) with respect to anything done by it in relation to the Notes or operating in, or otherwise involving, Ireland and, in the case of a Lead Manager acting under and within the terms of an authorisation to do so for the purposes of EU Council Directive 93/22/EEC of 10 May 1993 (as amended or extended), it has complied with any codes of conduct made under the Investment Intermediaries Acts 1995 to 2000, of Ireland (as amended) and, in the case of a Lead Manager acting within the terms of an authorisation granted to it for the purposes of EU Council Directive 2000/12/EC of 20 March 2000 (as amended or extended), it has complied with any codes of conduct or practice made under section 117(1) of the Central Bank Act, 1989 of Ireland (as amended); and
- (c) in connection with offers or sales of Notes, it has only issued or passed on, and will only issue or pass on, in Ireland, any document received by it in connection with the issue of the Notes to persons who are persons to whom the document may otherwise lawfully be issued or passed on.

## Italy

The offering of the Notes has not been registered with CONSOB (the Italian Securities Exchange Commission) and the Bank of Italy pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998, as amended; or
- (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the Financial Services Act) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1 September 1993 (the **Banking Act**); and
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (iii) in compliance with any other applicable laws and regulations.

## Norway

The Lead Manager has represented to and agreed with, the Issuer that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Kingdom of Norway any Notes other than to persons who are registered with the Oslo Stock Exchange as professional investors.

## Sweden

The Lead Manager has confirmed to and agreed with, the Issuer that it will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale except in circumstances that will not result in a requirement to prepare a prospectus pursuant to the provisions of the Swedish Financial Instruments Trading Act (*Iag (1991:980) om handel med finansiella instrument*).

## The Netherlands

The Lead Manager has represented to and agreed with, the Issuer that it has not and will not, directly or indirectly, offer or sell any Notes (including rights representing an interest in a Global Note) to individuals or legal entities who or which are established, domiciled or have their residence in The Netherlands (**Dutch Residents**) other than to the following entities (hereinafter referred to as **Professional Market Parties**) provided they acquire the Notes for their own account and trade or invest in securities in the conduct of a business:

**Professional Market Parties** are any of the following persons but no other person:

- (a) anyone who is subject to supervision of the Dutch Central Bank, the Dutch Authority for the Financial Markets or a supervisory authority from another member state and who is authorised to be active on the financial markets;
- (b) anyone who otherwise performs a regulated activity on the financial markets;
- (c) the State of the Netherlands, the Dutch Central Bank, a central government body, a central bank, Dutch regional and local governments and comparable foreign decentralised government bodies, international treaty organisations and supranational organisations;
- (d) a company or entity which, according to its last annual (consolidated) accounts, meets at least two of the following three criteria: an average number of employees during the financial year of at least 250, a total balance sheet of at least EUR 43,000,000 and an annual net turnover of at least EUR 50,000,000;
- (e) a company or entity with its statutory seat in the Netherlands other than a company as referred to in (d) above, which has requested the Dutch Authority for the Financial Markets to be treated as a professional market party;
- (f) a natural person, living in the Netherlands, who has requested the Dutch Authority for the Financial Markets to be treated as a professional market party, and who meets at least two of the following three criteria: the person has carried out transactions of a significant size on securities markets at an average frequency of, at least, ten per quarter over the previous four quarters; the size of the securities portfolio is at least EUR 500,000 and the person works or has worked for at least one year in the financial sector in a professional position which requires knowledge of securities investment;
- (g) a company or entity whose only purpose is investing in securities;
- (h) a company or entity whose purpose is to acquire assets and issue asset backed securities;
- (i) an enterprises or entity with total assets of at least €500,000,000 (or the equivalent thereof in another currency) as per the balance sheet as of the year end preceding the obtaining of the repayable funds;
- (j) an enterprise, entity or individual with net assets of at least €10,000,000 (or the equivalent thereof in another currency) as of the year end preceding the obtaining of the repayable funds who has been active in the financial markets on average twice a month over a period of at least two consecutive years preceding the obtaining of the repayable funds;
- (k) a subsidiary of any of the persons or entities referred to under (a)- (h) above, provided such subsidiaries are subject to consolidated supervision; and
- (l) an enterprise or entity which has a rating from a rating agency that, in the opinion of the Dutch Central Bank, has sufficient expertise, or which issues securities that have a rating from a rating agency that, in the opinion of the Dutch Central Bank, has sufficient expertise.

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

**"THIS NOTE (OR ANY INTEREST HEREIN) MAY NOT BE SOLD, TRANSFERRED OR DELIVERED TO INDIVIDUALS OR LEGAL ENTITIES WHO ARE ESTABLISHED, DOMICILED OR HAVE THEIR RESIDENCE IN THE NETHERLANDS (DUTCH RESIDENTS) OTHER THAN TO PROFESSIONAL MARKET PARTIES (PMPs) WITHIN THE MEANING OF**

THE EXEMPTION REGULATION UNDER THE DUTCH ACT ON THE SUPERVISION OF CREDIT INSTITUTIONS 1992 (AS AMENDED).

EACH DUTCH RESIDENT BY PURCHASING THIS NOTE (OR ANY INTEREST HEREIN), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT IT IS A PMP AND IS ACQUIRING THIS NOTE (OR ANY INTEREST THEREIN) FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PMP.

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

**United Kingdom**

The Lead Manager has represented and agreed that:

- (a) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (FSMA), with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

**United States**

The Notes have not been and will not be registered under either the United States Securities Act of 1933, as amended (the **Securities Act** or any US state securities law), and may not be offered or sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons except to certain persons in certain offshore transactions in reliance on Regulation S under the Securities Act or pursuant to any other exemption from the registration requirements of the Securities Act and applicable US state securities laws. The Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes, (A) as part of its distribution at any time or (B) otherwise until 40 days after the later of the commencement of the offering of the Notes and the closing of the offering of the Notes (for the purpose only of this section "*Subscription and Sale*", the **Restricted Period**), within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each distributor, dealer or other person to which it sells Notes during the Restricted 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 under the Securities Act.

In addition, until 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 if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act. The Notes are in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possession or to a U.S. person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 (as amended) and regulations thereunder.

The Notes will have on their face a statement to the effect that any United States person who holds such Notes will be subject to limitations under the United States income tax laws including the limitations provided in Sections 165(j) and 1287(a) of the United States Internal Revenue Code.

### **General**

Other than the approval by the IFSRA of this document as a prospectus in accordance with the requirements of the Prospectus Directive and relevant implementing measures in Ireland, no action is being taken by the Issuer or the Lead Manager 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, advertisement, form of application or other material 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.

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

## GENERAL INFORMATION

1. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 24 July 2006.
2. It is expected that listing of the Notes on the Official List of the Stock Exchange will be granted on or about 28 July 2006, subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction. The estimated cost of the applications for admission to the Official List and admission to trading on the Stock Exchange's market for listed securities is €4,330.
3. Assuming (i) payments are being made in accordance with the Pre-Enforcement Priority of Payments; (ii) no drawing has been made under the Liquidity Facility Agreement; and (iii) no Note Event of Default is outstanding, the Senior Expenses (other than any amounts referred to in paragraphs (c), (e) or (f)(i) of that definition) of the Issuer are expected to amount to approximately £130,750 per annum.
4. On 14 June 2006 the Issuer was granted a certificate under section 117 of the Companies Act 1985 entitling it to do business and to borrow.
5. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows:

	Common Code	ISIN
Class A	026254256	XS0262542565
Class B	026254434	XS0262544348
Class C	026254540	XS0262545402

6. 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 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.
7. Save as disclosed herein the Issuer is not, and has not been, involved in any legal, governmental 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.
8. Save as disclosed herein the Borrower is not, and has not been, involved in any legal, governmental 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 Borrower's financial position.
9. Since the date of its incorporation, the Issuer has not entered into any material contracts or arrangements other than as disclosed in this Offering Circular.
10. Each of DTZ Debenham Tie Leung Limited, Savills Commercial Limited and CB Richard Ellis Limited are members of the Royal Institute of Chartered Surveyors and each has given and not withdrawn its written consent to the inclusion of its respective reports and references to its name in the form and context in which they are included and each has authorised the

contents of the relevant part of this Offering Circular for the purposes of section 45 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005.

11. Save as disclosed herein, since 2 June 2006 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the trading or financial position of the Issuer.
12. Save as disclosed herein, since 2 June 2006 (being the date of incorporation of the Borrower), there has been (a) no material adverse change in the financial position or prospects of the Borrower and (b) no significant change in the trading or financial position of the Borrower.
13. The Issuer Deed of Charge, the Trust Deed and the Deed of Charge will provide that the Note Trustee and the Borrower Security Trustee (as applicable) may rely on reports or other information from professional advisors or other experts in accordance with the Issuer Deed of Charge, the Trust Deed and the Deed of Charge (as applicable), whether or not such report or other information, engagement letter or other document entered into by the Note Trustee or the Borrower Security Trustee (as applicable) and the relevant professional advisor or expert in connection therewith contains any limit on the liability of that relevant professional advisor or expert.
14. The Trust Deed will provide that the Issuer must at all times procure that there is duly appointed to its board of directors at least one person who is not an employee or shareholder of the Issuer or any of its affiliates.
15. Copies of the following documents may be physically inspected during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the offices of the Issuer at 4th Floor, St Alphage House, 2 Fore Street, London EC2Y 5DH and at the specified offices of the Irish Paying Agent in Dublin from the date of this document until the Final Maturity Date:
  - (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the Valuation Reports;
  - (c) the Issuer/Borrower Loan Agreement;
  - (d) the Intra-Group Loan Agreement;
  - (e) the Intra-Group Subordinated Loan Agreement;
  - (f) the Intercreditor Agreement;
  - (g) the Trust Deed;
  - (h) the Issuer Deed of Charge;
  - (i) the Deed of Charge;
  - (j) the Mortgage of Shares;
  - (k) each Standard Security;
  - (l) each Scottish Rental Assignment;
  - (m) the Swap Agreement;
  - (n) the Liquidity Facility Agreement;

- (o) the Account Bank Agreement;
- (p) the Rent Account Agreement
- (q) the Property Management Agreement;
- (r) the Post-Enforcement Call Option Agreement;
- (s) the Tax Deed of Covenant;
- (t) the Agency Agreement;
- (u) the Cash Management Agreement; and
- (v) the terms pursuant to which Structured Finance Management Limited agrees to provide at least two independent directors to the board of directors of the Issuer.



**APPENDIX A**

<b>Company</b>	<b>Country of incorporation</b>	<b>Date of Incorporation</b>	<b>Company number</b>	<b>Registered Office</b>	<b>Directors and Secretaries</b>
Am Coff Limited	England and Wales	17 April 1997	3355436	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone, of 80H Eaton Square, London, SW1W 9AP  Chris King, of 6 Jocelyn Road, Richmond, Surrey, TW9 2TH  Secretary: Richard Luck
Bayford Properties Limited	England and Wales	15 September 1993	2853389	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone  Chris King  Secretary: Richard Luck
Cornice Properties Limited	England and Wales	17 April 1997	3355430	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone  Chris King  Secretary: Richard Luck
London & Regional (Bewlay House) Limited	England and Wales	2 September 2002	4524352	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone  Chris King  Secretary: Richard Luck

<b>Company</b>	<b>Country of incorporation</b>	<b>Date of Incorporation</b>	<b>Company number</b>	<b>Registered Office</b>	<b>Directors and Secretaries</b>
London & Regional (Empire) Limited	England and Wales	2 September 2002	4524346	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone Chris King Secretary: Richard Luck
London & Regional (Green Park Hotel) Limited	England and Wales	2 September 2002	4524322	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone Chris King Secretary: Richard Luck
London & Regional (Sheffield) Limited	England and Wales	15 August 1994	2958517	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone Chris King Secretary: Richard Luck
London & Regional (Stockport) Limited	England and Wales	15 November 1996	3278829	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone Chris King Secretary: Richard Luck
London & Regional (Trafalgar Square Hotel) Limited	England and Wales	2 September 2002	4524341	4 <sup>th</sup> Floor, St. Alphage House, 4 <sup>th</sup> Floor, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone Chris King Secretary: Richard Luck

Company	Country of incorporation	Date of Incorporation	Company number	Registered Office	Directors and Secretaries
LR (Cardiff) Limited	England and Wales	27 November 1975	1235394	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone  Geoffrey Springer, of The Lodge, Fitzroy Park, Highgate, London N6 6HT  Chris King  Secretary: Richard Luck
LR (South Eastern) Limited	England and Wales	2 March 1994	2904142	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone  Geoffrey Springer  Chris King  Secretary: Richard Luck
LR (Stratford) Limited	England and Wales	28 October 1994	2984604	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone  Geoffrey Springer  Chris King  Secretary: Richard Luck
LR Estates Limited	England and Wales	20 October 1972	1077825	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone  Geoffrey Springer

Company	Country of incorporation	Date of Incorporation	Company number	Registered Office	Directors and Secretaries
					Chris King Secretary: Richard Luck
LR Investments Limited	England and Wales	7 August 1972	1064655	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone Geoffrey Springer Chris King Secretary: Richard Luck
Marshset Limited	England and Wales	18 March 1994	2910100	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone Chris King Secretary: Richard Luck
Richian Limited	England and Wales	17 April 1997	3355362	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone Chris King Secretary: Richard Luck
Rubtrade Limited	England and Wales	28 April 1999	3760578	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone Chris King Geoffrey Springer

<b>Company</b>	<b>Country of incorporation</b>	<b>Date of Incorporation</b>	<b>Company number</b>	<b>Registered Office</b>	<b>Directors and Secretaries</b>
					Secretary: Richard Luck
Widerace Limited	England and Wales	20 January 1994	2889688	4 <sup>th</sup> Floor, St. Alphage House, 2 Fore Street, London, EC2Y 5DH	Ian Livingstone Chris King Secretary: Richard Luck
Cochrane Square SPV Limited	Scotland	16 September 1997	SC 178806	3 Glenfinlas Street, Edinburgh, EH3 6AQ	Ian Livingstone Chris King Secretary: Richard Luck
Haymarket SPV Limited	Scotland	16 September 1997	SC 178807	3 Glenfinlas Street, Edinburgh, EH3 6AQ	Ian Livingstone Chris King Secretary: Richard Luck

**APPENDIX B**

<b>Company</b>	<b>Authorised Share Capital</b>	<b>Issued Share Capital</b>	<b>Loan Capital</b>
Am-Coff Limited	£1,000 divided into 1,000 Ordinary Shares of £1 each	2 £1 Ordinary Shares held by London and Regional Commercial Properties Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £9,159,699.45
Bayford Properties Limited	£2 divided into 2 Ordinary Shares of £1 each  US\$10 divided into 10 Deferred Shares of US\$1 each	£2 divided into 2 Ordinary Shares held by London & Regional Investment Holdings Limited  US\$10 divided into 10 Deferred Shares held by London & Regional Investment Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £13,629,217.40
Cornice Properties Limited	£1,000 divided into 1,000 Ordinary Shares of £1 each	2 £1 Ordinary Shares held by London and Regional Commercial Properties Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £9,159,699.44
London & Regional (Bewlay House) Limited	£5,000,000 divided into 5,000,000 Ordinary Shares of £1 each	1,200,379 £1 Ordinary Shares held by London & Regional Investment Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £14,234,960.40

<b>Company</b>	<b>Authorised Share Capital</b>	<b>Issued Share Capital</b>	<b>Loan Capital</b>
London & Regional (Empire) Limited	£5,000,000 divided into 5,000,000 Ordinary Shares of £1 each	1,455,001 £1 Ordinary Shares held by London & Regional Investment Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £45,214,387.91
London & Regional (Green Park Hotel) Limited	£10,000,000 divided into 10,000,000 Ordinary Shares of £1 each	1 £1 Ordinary Shares held by London & Regional Hotel Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £43,267,356.85
London & Regional (Sheffield) Limited	£1,000 divided into 1,000 Ordinary Shares of £1 each	2 £1 Ordinary Shares held by London & Regional Investment Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £10,384,165.64
London & Regional (Stockport) Limited	£10,000 divided into 10,000 Ordinary Shares of £1 each	1 £1 Ordinary Share held by London & Regional PFI Projects Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £11,786,028.01
London & Regional (Trafalgar Square Hotel) Limited	£10,000,000 divided into 10,000,000 Ordinary Shares of £1 each	2 £1 Ordinary Shares held by London & Regional Hotel Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £47,507,557.82
LR (Cardiff) Limited	£900,000 divided into 900,000 Ordinary Shares of £1 each	900,000 £1 Ordinary Shares held by London & Regional Investments Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £2,747,477.16

<b>Company</b>	<b>Authorised Share Capital</b>	<b>Issued Share Capital</b>	<b>Loan Capital</b>
LR (South Eastern) Limited	£100 divided into 100 Ordinary Shares of £1 each	2 £1 Ordinary Shares held by LR Estates Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £37,863,263.98
LR (Stratford) Limited	£1,000 divided into 1,000 Ordinary Shares of £1 each	2 £1 Ordinary Shares held by London & Regional Investment Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £23,061,501.20
LR Estates Limited	£15,000,000 divided into 60,000,000 £0.25 Ordinary Shares	45,032,539 £0.25 Ordinary Shares held by London & Regional Investments Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £22,274,035.31
LR Investments Limited	£4,000,100 divided into 4,000,100 £1 Ordinary Shares	4,000,100 £1 Ordinary Shares held by London & Regional Investments Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £5,464,667.17
Marshset Limited	£1,000 divided into 1,000 Ordinary Shares of £1 each	2 £1 Ordinary Shares held by London & Regional Investment Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £796,119.37
Richian Limited	£1,000 dividing into 1,000 Ordinary Shares of £1 each	2 £1 Ordinary Shares held by London and Regional Commercial Properties Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £10,297,630.93



<b>Company</b>	<b>Authorised Share Capital</b>	<b>Issued Share Capital</b>	<b>Loan Capital</b>
Rubtrade Limited	£100 divided into 100 Ordinary Shares of £1 each	1 £1 Ordinary Share held by London & Regional Investment Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £24,532,591.33
Widerace Limited	£2 divided into 2 Deferred Shares of £1 each  US\$10 divided into 10 Ordinary Shares of US\$1 each	2 £1 Deferred Shares held by London & Regional Investment Holdings Limited  10 US\$1 Ordinary Shares held by London & Regional Investment Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £22,897,085.24
Cochrane Square SPV Limited	£100 divided into 100 Ordinary Shares of £1 each	2 £1 Ordinary Shares held by London & Regional PFI Projects Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £14,762,822.15
Haymarket SPV Limited	£100 divided into 100 Ordinary Shares of £1 each	2 £1 Ordinary Shares held by London & Regional PFI Projects Holdings Limited	Propco Advance (to be advanced on or about the Closing Date under the Intra-Group Loan Agreement): £15,039,733.24

**APPENDIX C**

**Table 1: Tenant Database**

Asset	Tenant Name	Net Rent <sup>(1)</sup> (£/annum)	ERV (£/annum)	Area <sup>(2)</sup> (Sq. Ft.)	Lease End	First Lease Break	Rent Review			
							First Rent Review Date	Rent Review Type	Year Cycle (Indx'd/ Fx'd)	Indexation
<b>Office Portfolio</b>										
Southfields Business Park, Basildon	Vacant	-	69,500	4,212						
	Schenker Ltd	55,622	70,100	4,249	06-Apr-09	24-Jun-07				
	Jonathan Lee Recruitment	53,250	56,700	3,435	16-Oct-10	16-Dec-08				
	Avl Schrik	55,622	55,600	3,371	06-Apr-09					
	Vacant	-	41,800	2,532						
	British Bata (TAW)	36,250	66,000	2,400	24-Jan-16	24-Jan-11				
	BBW Consultants Limited	9,048	13,900	505	12-Sep-08					
	TTI Inc	10,612	20,100	730	19-Dec-06					
	Vacant	-	21,700	790						
	S Hillier & Co Ltd (Fully Inc)	8,925	14,200	515	06-Sep-07					
	United Friendly Insurance plc	24,263	21,100	1,277	21-Mar-16					
	Vacant	-	46,500	2,815						
	Vacant	-	24,800	1,500						
	A G Busby & M R Stockwell	52,000	46,800	2,836	21-Dec-11					
	Lifestyles UK & Eire Ltd	29,000	30,100	1,822	18-Aug-08	29-Aug-06				
	Jardine Transport Services UK Ltd	33,500	30,600	1,853	20-Jun-11					
	Contechs Consulting Ltd	55,000	51,100	3,097	03-Oct-12	04-Oct-07				
	Eastern Group plc	50	50	-	20-Feb-15					
Conway House	Kier Managed Services	123,200	112,000	11,200	03-Aug-13	04-Aug-08				
	Vacant	-								
	TBI plc	110,000	112,000	11,200	24-Mar-14					

**Table 1: Tenant Database**

Asset	Tenant Name	Net Rent <sup>(1)</sup> (£/annum)	ERV (£/annum)	Area <sup>(2)</sup> (Sq. Ft.)	Lease End	First Lease Break	Rent Review				Fixed Amount
							First Rent Review Date	Rent Review Type	Year Cycle (Ind'x'd/Fx'd)	Indexation	
Epworth House	TCam Systems t/a OM Technology	95,000	72,900	4,166	24-Mar-08						
	TCam Systems t/a OM Technology	483	300	20	25-Mar-08						
	Vacant (RJL Storage)	-	10,600	1,414							
	American Express Europe Ltd (Fully inc)	5,375	7,130	950	25-Mar-07						
	ISS Europe Ltd	102,000	140,000	6,220	25-Mar-08						
	Vacant	-	56,300	2,500							
	Payne Wain & Maples	54,495	81,200	3,607	22-Dec-09						
	HighSpeed Office Ltd	126,000	125,600	5,583	24-Mar-08						
	Matrix Research & Consultancy Ltd	141,825	160,100	9,150	19-Feb-09	20-Feb-07	20-Feb-07	Fixed	1		150,975
	T Q Baigrie & A H Davies	85,550	72,800	3,640	25-Mar-08						
	American Express Europe Ltd	185,000	99,100	5,662	24-Mar-08						
	The Aga Group Ltd	69,128	62,000	3,545	24-Mar-08						
	Vacant	-	47,500	2,066							
	Cordis Bright Ltd	44,000	41,400	1,800	26-Oct-08		27-Oct-06	Fixed	1		46,750
	Vacant		39,900	1,733							
	Vacant		16,100	644							
National Confidential Enq. Into PD	35,298	43,000	1,870	19-Mar-13	20-Mar-07						
Smartech UK plc	31,350	41,400	1,800	13-Jan-08		14-Jan-07	Fixed	1		34,650	
Micotech Systems Devel Ltd	16,500	17,100	1,140	19-Mar-09	29-Sep-06						
The Aga Group Ltd (rent incl)	10,000	10,000	1,000	24-Mar-08							
America House	St Paul London Properties Inc	515,000	281,300	14,066	24-May-15	25-Aug-14					
	London Market Claims Services Ltd	264,000	131,800	6,592	28-Sep-15						
	Halewood Int Futures Ltd	70,000	69,800	3,489	27-Jun-10	24-Dec-07					
	Crawley Warren Group Ltd	117,527	59,000	2,949	24-Mar-16						
	Windsor Properties Limited	118,487	126,800	6,340	21-May-15	24-Mar-11					
	QBE Reinsurance (UK) Ltd	164,670	85,600	4,279	24-Dec-15						

**Table 1: Tenant Database**

Asset	Tenant Name	Net Rent <sup>(1)</sup> (£/annum)	ERV (£/annum)	Area <sup>(2)</sup> (Sq. Ft.)	Lease End	First Lease Break	Rent Review				Fixed Amount
							First Rent Review Date	Rent Review Type	Year Cycle (Indx'd/Fx'd)	Indexation	
	Windsor Properties Limited	43,290	47,100	2,356	21-May-15	24-Nov-11					
	River Thames Insurance Co Ltd	255,000	126,600	6,329	24-Mar-15						
	Vacant	-	5,000	0							
Tavistock Place	G Weinberg	32,000	24,800	1,292	20-May-08						
	An Bord Bia (Irish Food Board)	14,300	14,300	477	11-Aug-07						
	An Bord Bia (Irish Food Board)	21,200	18,800	625	11-Aug-07						
	Headway - The Brain Injury Assoc	23,250	19,900	663	31-Oct-06						
	Global Humanitarian Relief	22,250	31,300	1,043	13-Dec-10	12-Dec-08					
	Poetry Books Society	15,583	26,100	869	04-May-10	04-May-08					
	The Reading Agency	7,250	15,300	511	08-Dec-08						
Peer House	Peermusic (UK) Ltd	107,500	96,100	4,741	23-Jan-13	24-Jan-08					
	Cyril Sweet Limited	43,000	46,600	1,865	28-Sep-11	27-Oct-07					
	Physiological Society	43,500	47,100	1,884	01-Apr-14	25-Mar-09					
	Cyril Sweet Limited	34,000	38,600	1,545	28-Sep-11	27-Oct-09					
Emperor House	Field Fisher Waterhouse	2,545,000	2,545,000	73,300	29-Sep-18	29-Sep-14					
Derwent House	Liberata UK Ltd	558,000	572,300	40,316	06-Aug-16	31-Mar-08					
	Sheffield City Council	338,639	364,430	25,256	06-Aug-11						
Bewlay House	Elsevier Limited	945,826	1,113,000	46,360	23-Jun-14		24-Jun-09	Indexed	5	4.0%	
<b>PFI Office Portfolio</b>											
Archer House	HM Revenue & Customs	1,010,020	520,800	41,667	14-Apr-14		15-Mar-09	Indexed	5	4.0%	
Elgin House	HM Revenue & Customs	1,112,619	1,128,000	49,052	30-Nov-13		01-Dec-06	Indexed	1	2.5%	
Cotton House	HM Revenue & Customs	1,171,658	990,000	49,500	14-Dec-13		15-Dec-06	Indexed	1	2.5%	
<b>Hotel Portfolio</b>											
Green Park Hotel	Stakis Limited	2,800,000	2,800,000	-	04-May-24						
Trafalgar Sq. Hotel	Stakis Limited	3,248,000	3,248,000	-	23-May-26						
	Restaurant	200,000	226,800	5,000	01-Apr-27						

**Table 1: Tenant Database**

Asset	Tenant Name	Net Rent <sup>(1)</sup> (£/annum)	ERV (£/annum)	Area <sup>(2)</sup> (Sq. Ft.)	Lease End	First Lease Break	Rent Review				Fixed Amount
							First Rent Review Date	Rent Review Type	Year Cycle (Indx'd/Fx'd)	Indexation	
<b>Leisure Portfolio</b>											
Creations Nightclub, Brighton	Luminar Leisure Ltd	225,000	235,000	38,086	23-Jun-26		24-Jun-10	Indexed	5	3.0%	
Creations Nightclub, Leeds	Luminar Leisure Ltd	350,000	350,000	36,940	23-Jun-26		24-Jun-10	Indexed	5	3.0%	
Leicester Sq Casino, London	London Clubs LSQ Ltd	2,525,000	2,875,000	93,846	23-Jun-30		24-Jun-10	Fixed	5		2,787,816
Isis Nightclub, Nottingham	J Eftekhari Esq	202,873	175,000	24,798	23-Jun-26		24-Jun-11	Indexed	5	3.0%	
Stoke-on-Trent Casino, Stoke-on-Trent	Stanley Casinos Ltd	225,000	225,000	23,449	14-Feb-31		15-Feb-11	Fixed	5		260,837
	Garner Bennett (Office Supplies) Ltd	35,000	35,000	8,579	01-Jun-11						
Disco Royale, Uxbridge	Luminar Leisure Ltd	135,000	135,000	21,521	23-Jun-26		24-Jun-10	Indexed	5	3.0%	
	D & L E Tressider	18,850	18,850	6,621	10-Oct-07						
	Ultra Health & Nutrition Ltd	19,000	19,000	4,695	23-Jun-09						
	D & L E Tressider	3,100	3,100	0	10-Oct-07						
Watford Mixed Use, Watford	Alliance & Leicester plc	10	20,000	1,341	15-Jan-35						
	Aitchison Raffety Ltd	24,750	22,500	558	24-Mar-08						
	Elliott and Partners Ltd	23,000	23,500	565	31-Aug-09						
	Iceland Foods plc	150,000	150,000	13,962	25-Jun-26	28-Jun-16					
	Eastern Electricity plc	5	5	0	28-Sep-48						
	Luminar Leisure Ltd	480,000	505,000	37,364	23-Jun-26		24-Jun-10	Indexed	5	3.0%	
<b>Retail/Other Portfolio</b>											
The Ebbisham Centre	SK & C Krainavaphan	40,000	38,900	1,970	24-Dec-25						
	Puccino's Ltd	27,500	26,300	1,331	24-Dec-25						
	Everpool Ltd	31,500	35,600	1,800	24-Dec-25						
	G Demeni Esq	35,000	35,000	1,772	22-Feb-20						
	Il Ponte (Epsom) Ltd	65,000	82,700	4,185	24-Dec-25	14-Apr-19					
	The Laurel Pub Company Ltd	89,040	100,500	5,088	24-Dec-25						
	Nandos Chickenland Ltd	42,000	44,000	2,094	24-Dec-25						

**Table 1: Tenant Database**

Asset	Tenant Name	Net Rent <sup>(1)</sup> (£/annum)	ERV (£/annum)	Area <sup>(2)</sup> (Sq. Ft.)	Lease End	First Lease Break	Rent Review				Fixed Amount
							First Rent Review Date	Rent Review Type	Year Cycle (Indx'd/Fx'd)	Indexation	
	L Calcutt	10,000	10,000	225	24-Dec-15	25-Dec-10					
	National Car Parks Ltd	72,750	72,750	29,073	24-Mar-26						
	Yates Group plc	112,500	143,500	7,265	24-Dec-35						
	Surrey County Council	-	-	31,279	24-Dec-25						
	Messrs McKee Harris & Others	162,850	167,500	8,482	24-Dec-25						
	Holmes Place plc	366,910	367,100	61,646	24-Dec-35		25-Dec-10	Indexed	5	3.0%	
	Epsom Lifestyle Development Ltd	7,400	7,400	-	24-Dec-25						
	The Trevor Osborne Prop Gp Ltd	-	-	0	21-Mar-24						
	MMO2 Limited	10,000	10,000	0	22-Apr-13	22-Oct-07					
	Vacant	-	-	-							
Hampstead High Street	Optika	56,000	67,000	314	24-Dec-13						
	Coffee Cup Ltd	65,000	71,900	363	12-Apr-16						
	Devonswift Ltd	15,000	17,600	216	24-Mar-09						
	Ms F Jan & Mr Barker	8,400	8,400	310	15-Oct-06						
	R Mollura Esq	1,000	1,000	10	01-Oct-06						
	Ms C Smith & K Roshanzamir	21,424	21,424	1,275	29-May-07						
	Ms J Heaviside & G West	17,323	16,900	1,000	28-May-07						
Northbrook Street	Optika	51,000	54,000	488	20-Dec-18						
Stratford-upon-Avon - Town Sq	D Sheen Esq	22,500	22,500	298	05-May-10	06-May-08					
	Inteleson Ltd	22,500	24,400	319	23-Jun-12	24-Jun-07					
	Candles & Soaps Limited	37,500	47,000	686	23-Jun-17	24-Jun-07					
	Vacant	-	80,900	1,388							
	Phones 4U Ltd	32,500	32,300	613	23-Jun-12						
	Alan & Pamela Gibson	20,000	20,700	330	13-Mar-15	13-Mar-10					
	Claire's Accessories UK Ltd	40,000	42,600	392	09-Oct-12						

**Table 1: Tenant Database**

Asset	Tenant Name	Net Rent <sup>(1)</sup> (£/annum)	ERV (£/annum)	Area <sup>(2)</sup> (Sq. Ft.)	Lease End	First Lease Break	Rent Review				Fixed Amount
							First Rent Review Date	Rent Review Type	Year Cycle (Indx'd/ Fx'd)	Indexation	
	Lush Retail Ltd	62,500	66,899	803	30-Jan-18	31-Jan-08					
	Patrick Shoes Ltd	12,000	22,200	361	28-Sep-06						
	C Matthews t/a Crystal Chain	23,500	23,500	318	14-Jul-14	14-Jul-07					
	H & M Hennes Ltd	178,887	144,000	3,906	23-Jun-17	23-Jun-13					
	Puccino's Ltd	63,000	64,000	1,455	23-Jun-27						
	Game (Stores) Ltd	65,000	67,300	1,707	11-Aug-12						
	GR & MM Blackedge plc	85,000	93,200	2,494	30-Oct-17						
	Hargreaves (Sports) Ltd	70,000	63,700	2,645	13-Oct-18	14-Oct-08					
	Vacant	-	7,500	208							
	S Dear	10,000	10,000	465	01-Dec-17	02-Dec-07					
	Nigel Proctor	11,500	11,500	465	27-Apr-11	28-Apr-09					
	D P Shirley & W G Allderidge	5,000	5,100	307	22-Jan-08						
	Mrs P K Sanghera	5,000	5,100	230	06-Jul-06						
	Birthdays Ltd	115,000	115,000	1,562	23-Jun-17						
	The Outdoor Group Ltd	95,000	95,000	2,308	10-Oct-19						
	Vacant	-	52,500	1,837							
	JJB Sports PLC	95,000	95,000	11,272	05-Dec-19						
	Stephen Lovell	9,000	9,000	129	08-Nov-09	08-Nov-06					
	Stephen C Saunders Esq	13,500	13,500	193	13-Jan-08	14-Jan-06					
	Somerfield Property Co Ltd	95,000	134,500	17,448	24-Dec-09						
	Specsavers Optical Superstores Ltd	91,000	91,000	3,500	01-Feb-19						
	Past Times Trading	40,000	40,800	1,136	10-Jan-16		11-Jan-07	Indexed	1	1.5%	
	C S & G N Wright	35,000	35,000	974	24-Mar-15	25-Mar-10					
	C S & G N Wright	43,500	43,500	1,162	30-Oct-19						
	National Car Parks Ltd	190,000	190,000	0	03-Jan-22						
	BF Propco (No. 20) Limited.	-	-	0	13-Sep-02						

**Table 1: Tenant Database**

Asset	Tenant Name	Net Rent <sup>(1)</sup> (£/annum)	ERV (£/annum)	Area <sup>(2)</sup> (Sq. Ft.)	Lease End	First Lease Break	Rent Review			Fixed Amount
							First Rent Review Date	Rent Review Type	Year Cycle (Ind'x'd/ Fx'd)	
	Punch Taverns (PTL) Ltd	-	-	0	25-Sep-76					
	Coventry Economic Building Soc	-	-	0	28-Sep-76					
	Bambuk UK Ltd	-	-	0	09-Apr-71					
	Messrs Bond Paget & Others	-	-	0	24-Dec-99					
	Midlands Electricity plc	-	-	0	18-Sep-02					
	Midlands Electricity plc	-	-	0	18-Sep-02					
	Somerfield Property Co Ltd	750	-	0	14-Oct-06					
	Martin Brent Developments Ltd	-	-	0	21-Feb-32					
Alexander Place	Excel Outdoor Media Ltd	82,960	82,500	0	30-Jun-07					
Camden High Street	Retail Space (Camden) Ltd	225,000	225,000	0	01-Aug-16	01-Aug-11				
	GPS (Great Britain) Ltd	222,500	212,800	10,748	15-Feb-21	15-Feb-16				
	Starbucks Coffee Co (UK) Ltd	53,500	45,200	1,452	23-Jun-26					
	Virgin Retail Ltd	570,000	500,000	19,750	22-Apr-21					
	British Diabetic Association	568,532	438,100	16,660	21-Oct-16					
	Residential Groundleases	2,100	2,100		23-Jun-26					

**Notes**

1. Net of all costs (including PFI charges for the PFI leases)
2. Office and Leisure assets show NIA while the Retail assets show GLA or ITZA, whichever appropriate



## INDEX OF DEFINED TERMS

The following terms apply throughout this Offering Circular unless the context otherwise requires:

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