

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE U.S. IMPORTANT: You must read the following before continuing. The following applies to the prospectus (the "**Prospectus**") attached to this electronic transmission, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Prospectus. In accessing the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES OF THE ISSUER FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THE FOLLOWING PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER AND IN PARTICULAR MAY NOT BE FORWARDED TO ANY U.S. PERSON. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are reminded that the Prospectus has been delivered to you on the basis that you are a person into whose possession the Prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Prospectus to any other person.

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

By accessing the Prospectus, 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 Prospectus 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 and (d) if you are a person in the United Kingdom, then you are a person who (i) is an investment professional within the meaning of article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**FPO**") or (ii) is a high net worth entity falling within Article 49(2)(a) to (d) of the FPO.

This Prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Taurus 2013 (GMF1) plc (the "**Issuer**"), Bank of America, N.A., London Branch, Merrill Lynch International, HSBC Bank plc or any person who controls, or any director, officer, employee nor agent of, any such person (or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version available to you on request from Bank of America, N.A., London Branch, Merrill Lynch International or HSBC Bank plc.

TAURUS 2013 (GMF1) PLC

(incorporated in England and Wales with company registration number 08284229)
(the "Issuer")

Notes	Initial Principal Amount	Issue Price	Interest Reference Rate	Relevant Margin ⁽¹⁾	Expected Maturity	Final Maturity Date	Ratings
Class A	€710,000,000	100 per cent	3 month EURIBOR	1.05 per cent.	21 May 2018	21 May 2024	AAAsf/AAASF
Class B	€130,000,000	100 per cent	3 month EURIBOR	1.50 per cent.	21 May 2018	21 May 2024	AAsf/AASF
Class C	€120,000,000	100 per cent	3 month EURIBOR	2.00 per cent.	21 May 2018	21 May 2024	Asf/ASF
Class D	€95,000,000	100 per cent	3 month EURIBOR	2.75 per cent.	21 May 2018	21 May 2024	BBBsf/BBBSF
Class E	€19,800,000	100 per cent	3 month EURIBOR	3.50 per cent.	21 May 2018	21 May 2024	BBBsf/BBB (low)SF

In addition to the Notes, 10 Deferred Arrangement Fee Certificates ("DACs") will be issued on the Closing Date and will be rated Asf by Fitch and ASF by DBRS. The DACs holders will be entitled to DACs Payment Amounts, DACs LPI Amounts and DAC Exit Payment Amounts as further described in DACs Condition 4 (*DACs Payments and DAC Exit Payment Amount*).

(1) Up to and including the Expected Maturity Date, the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (together the "Notes") will bear interest at (a) three-month EURIBOR (or, in the case of the first Note Interest Period, the linear interpolation of three-month and four-month EURIBOR deposits) plus (b) the Relevant Margin specified above.

On the Note Payment Date on which the extension option under the Loans is exercised, a fee will be payable in respect of the Notes in an amount equal to the Note Extension Amount. See the section entitled "*Terms and Conditions of the Notes*" for more detail.

The payments of Note Extension Amounts will be subordinated to, *inter alia*, the payment of interest on and repayment of principal of the Notes. The ratings assigned to the Notes do not address the likelihood of receipt of any Note Extension Amount.

All references in this document to "Noteholders" include, as the context may require, the holders of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.

Issue Date	The Issuer expects to issue the Notes in the classes set out above on or about 16 May 2013 (the " Closing Date ").
Underlying Assets	<p>The Issuer will make payments on the Notes and the DACs from, <i>inter alia</i>, payments of principal and interest received by the Issuer under loans advanced by the Issuer to the Borrowers pursuant to a loan facility agreement on 20 February 2013 (the "Original Facility Date") as amended on 13 May 2013 (the "Facility Agreement"). Payments of principal under the Loans will be allocated to the Notes and applied in accordance with the Priorities of Payment.</p> <p>The Loans will be secured by, among other things, a portfolio of multifamily residential properties and a small number of commercial properties and parking spaces, in each case located in the Federal Republic of Germany ("Germany") (each a "Property" and collectively the "Properties" or the "Portfolio").</p> <p>During the life of the Notes, the Revenue Receipts are expected to be sufficient to pay the interest amounts payable in respect of the Notes and the payment of DACs Payment Amounts.</p> <p>See sections entitled "<i>The Facility Agreement</i>", "<i>The Borrowers' Debt and Transaction Security</i>" and "<i>The Portfolio</i>" for more detail.</p>
Credit Enhancement	Subordination of junior ranking Notes. See Condition 2 (<i>Status, Security and Priority</i>) in the section entitled " <i>Terms and Conditions of the Notes</i> " for more detail.
Liquidity	A liquidity facility available to fund, <i>inter alia</i> , payments of interest in respect of

Support	the Notes in the amount of €35,000,000 as of the Closing Date (the " Liquidity Facility "). See " <i>The Liquidity Facility Agreement</i> " for more detail.
Redemption Provisions	Information on the optional and mandatory redemption of the Notes is summarised in the section entitled " <i>Transaction Overview—Overview of the Terms and Conditions of the Notes</i> " and as set out in full in Condition 6 (<i>Redemption and Cancellation</i>) in the section entitled " <i>Terms and Conditions of the Notes</i> ".
Rating Agencies	Fitch and DBRS. Each of such Rating Agencies are authorised under the CRA Regulations.
Credit Ratings	<p>Fitch Ratings Limited ("Fitch") and DBRS Ratings Limited ("DBRS").</p> <p>In this Prospectus, Fitch and DBRS are referred to as the "Rating Agencies", and each, a "Rating Agency". The ratings assigned to (i) the Notes by the Rating Agencies are based on the ability of the Issuer to make timely payment of Regular Interest and ultimate payment of principal with respect to the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes in accordance with its obligations under the terms and conditions of the Notes and (ii) the DACs by the Rating Agencies are based on the ability of the Issuer to make timely payment of the DACs Payment Amounts with respect to the DACs in accordance with its obligations under the terms and conditions of the DACs, subject to the Transaction Security and the Properties and other relevant structural features of the transaction, including, among other things, the short-term and long term unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Facility Provider, the Interest Rate Swap Counterparty and reflect only the views of the Rating Agency.</p> <p>In general, European regulated investors are restricted from using a rating for regulatory purposes other than a rating issued by a credit rating agency established in the European Union and registered under Regulation 1060/2009/EC of the European Parliament and the Council of 16 September 2009 on credit rating agencies, as amended pursuant to Regulation 513/2011/EU of the European Parliament and the Council of 11 May 2011 (the "CRA Regulation"), unless the rating is provided by a credit rating agency that operated in the European Union before 7 June 2010 and which has submitted an application for registration in accordance with the CRA Regulation and such application for registration has not been refused. Each of the Rating Agencies is established in the European Union and has been registered in accordance with the CRA Regulation.</p> <p>Each of the Credit Rating Agencies (other than Moody's Investors Services, Inc.), as defined in "<i>The Facility Agreement</i>", is established in the European Union and has been registered in accordance with the CRA Regulation. Moody's Investors Services, Inc. is not established in the European Union and is not registered in accordance with the CRA Regulation.</p> <p>The assignment of ratings to the Notes and the DACs is not a recommendation to invest in the Notes or the DACs. Any credit rating assigned to the Notes or the DACs may be revised or withdrawn at any time.</p>
Listing	This prospectus (the " Prospectus ") has been approved by the Central Bank of Ireland (the " Central Bank of Ireland "), as competent authority under the Prospectus Directive. The Central Bank of Ireland only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to Directive 2003/71/EC (the " Prospectus Directive "). Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the " Official List ") and trading on its regulated market (the " Main Securities Market "). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC (the " Markets in Financial Instruments Directive "). Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC or which are offered to the public in any Member State of the European Economic Area. The DACs will not be listed on the Irish Stock Exchange.

Obligations	The Notes and the DACs will be limited recourse obligations of the Issuer alone and will not be guaranteed by, or be the responsibility of, any other entity. The Notes and the DACs will not be obligations of Bank of America, N.A., London Branch, its affiliates or any other party named in the Prospectus.
Retention Undertaking	Bank of America, N.A., London Branch has agreed, pursuant to the Subscription Agreement, to retain, following the Closing Date, on an ongoing basis, a material net economic interest of at least 5 per cent. in the securitisation in accordance with Article 122a of Directive 2006/48/EC (as amended by Directive 2009/111/EC) (referred to as the Capital Requirements Directive (" CRD 2 ")). At the Closing Date, such interest will consist of the retention of no less than 5 per cent of the nominal value of each of the tranches. Any change to the manner in which such interest is held will be notified to investors. See the section entitled " <i>Regulatory Disclosure — Article 122a of the Capital Requirements Directive</i> " for further information.

THE "RISK FACTORS" SECTION CONTAINS DETAILS OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE GIVEN PARTICULAR CONSIDERATION BEFORE INVESTING IN THE NOTES. PROSPECTIVE INVESTORS SHOULD BE AWARE OF THE ISSUES SUMMARISED WITHIN THAT SECTION.

Arranger

Bank of America, N.A., London Branch

Joint Lead Managers

Bank of America Merrill Lynch

HSBC

The date of this Prospectus is 15 May 2013

IMPORTANT NOTICE

The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. No representation is made by the Issuer, the Note Trustee, the Issuer Security Trustee, the Arranger or either of the Joint Lead Managers that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, and none of them assumes any responsibility for facilitating any such distribution or offering.

Other than the approval by the Central Bank of Ireland of this Prospectus as a "prospectus" in accordance with the requirements of the Prospectus Directive and the relevant implementing measures in Ireland, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part hereof) comes are required by the Issuer, the Arranger and the Joint Lead Managers to inform themselves about, and to observe, any such restrictions. Neither this Prospectus nor any part hereof constitutes an offer of, or an invitation by or on behalf of the Issuer or the Arranger or the Joint Lead Managers to subscribe for or purchase any of the Notes and neither this Prospectus, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

For a further description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus (or any part hereof) see the section entitled "*Subscription and Sale*" and "*Transfer Restriction*".

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer has accurately reproduced the information set out in the appendices to this Prospectus from information provided to it by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft and Jones Lang LaSalle, and as far as the Issuer is aware and able to ascertain from such information, no facts have been omitted which would render such reproduced information inaccurate or misleading.

HSBC Bank plc accepts responsibility for the information contained in the section of this Prospectus entitled "*HSBC Bank plc*", insofar as the same relates to it. To the best of the knowledge and belief of HSBC Bank plc (having taken all reasonable care to ensure that such is the case), the information contained in the section of this Prospectus entitled "*HSBC Bank plc*" (insofar as the same relates to it) is in accordance with the facts and does not omit anything likely to affect the import of such information.

Situs Asset Management Limited accepts responsibility for the information contained in the section of this Prospectus entitled "*Situs Asset Management Limited*", insofar as the same relates to it. To the best of the knowledge and belief of Situs Asset Management Limited (having taken all reasonable care to ensure that such is the case), the information contained in the section of this Prospectus entitled "*Situs Asset Management Limited*" (insofar as the same relates to it) is in accordance with the facts and does not omit anything likely to affect the import of such information.

Other than as set out above, none of the Arranger, the Joint Lead Managers or the Issuer Related Parties (as defined on page 8 below) has separately verified the information contained in this Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arranger, the Joint Lead Managers or any of the Issuer Related Parties as to the accuracy or completeness of the information contained in this Prospectus or any other information supplied in connection with the Notes or the DACs. Each person receiving this Prospectus acknowledges that such person has not relied on the Arranger, the Joint Lead Managers or any of the Issuer Related Parties or on any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision.

No person is or has been authorised in connection with the issue and sale of the Notes or the DACs to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the

Issuer, the Arranger, the Joint Lead Managers, any of the Issuer Related Parties, or any of their respective affiliates or shareholders or the shareholders of the Issuer. Neither the delivery of this Prospectus nor any sale or allotment made in connection with the offering of any of the Notes will, under any circumstances, constitute a representation or create any implication that there has been any change in the information contained herein since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

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

The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer, which obligations will be limited recourse obligations in accordance with the terms thereof. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by the Arranger, the Joint Lead Managers, any of the Issuer Related Parties, or any of their respective affiliates or shareholders or the shareholders of the Issuer and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

Each of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes will be represented initially by a temporary global note in bearer form (each, a "**Temporary Global Note**") which will be deposited with a common safekeeper (the "**Common Safekeeper**") for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") on the Closing Date. Each Temporary Global Note will be exchangeable not earlier than 40 days after the Closing Date (**provided that** certification of non-U.S. beneficial ownership has been received) ("**Certification**") for interests in a permanent global note in bearer form for the relevant Class (each, a "**Permanent Global Note**" and, together with each Temporary Global Note, the "**Global Notes**"). The Permanent Global Notes will also be deposited with the relevant Common Safekeeper.

The DACs will be represented by a global deferred arrangement fee certificate in registered form (the "**Global Deferred Arrangement Fee Certificate**") which will be deposited with a common depository (the "**Common Depository**") for Clearstream, Luxembourg and Euroclear on the Closing Date.

Save in certain limited circumstances (as further described in "*The Notes*" below), Notes in definitive form will not be issued in exchange for the Global Notes.

OFFEREE ACKNOWLEDGEMENTS

Each person receiving this Prospectus, by acceptance hereof, hereby acknowledges that this Prospectus has been prepared by the Issuer solely for the purpose of offering the Notes described herein. Notwithstanding any investigation that the Joint Lead Managers may have made with respect to the information set forth herein, this Prospectus does not constitute, and will not be construed as, any representation or warranty by the Arranger or the Joint Lead Managers to the adequacy or accuracy of the information set forth herein. Delivery of this Prospectus to any person other than the prospective investor and those persons, if any, retained to advise such prospective investor with respect to the possible offer and sale of the Notes is unauthorised, and any disclosure of any of its contents for any purpose other than considering an investment in the Notes is strictly prohibited. A prospective investor will not be entitled to, and must not, rely on this Prospectus unless it was furnished to such prospective investor directly by the Issuer or the Joint Lead Managers.

The obligations of the parties to the transactions contemplated herein are set forth in and will be governed by certain documents described in this Prospectus, and all of the statements and information contained in this Prospectus are qualified in their entirety by reference to such documents. This Prospectus contains summaries, which the Issuer believes to be accurate, of certain of these documents, but for a complete description of the rights and obligations summarised herein, reference is hereby made to the actual documents, copies of which may (on giving reasonable notice) be obtained from the Principal Paying Agent.

EACH PERSON RECEIVING THIS PROSPECTUS ACKNOWLEDGES THAT (A) SUCH PERSON HAS BEEN AFFORDED AN OPPORTUNITY TO REQUEST AND TO REVIEW, AND HAS RECEIVED, ALL ADDITIONAL INFORMATION CONSIDERED BY IT TO BE NECESSARY TO VERIFY THE ACCURACY OF OR TO SUPPLEMENT THE INFORMATION HEREIN, (B) SUCH PERSON HAS NOT RELIED ON THE ARRANGER OR THE JOINT LEAD MANAGERS OR ANY PERSON AFFILIATED WITH THE ARRANGER OR THE JOINT LEAD MANAGERS IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OF SUCH INFORMATION OR ITS INVESTMENT DECISION, (C) NO PERSON HAS BEEN AUTHORISED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION REGARDING THE NOTES OTHER THAN AS CONTAINED HEREIN, AND IF GIVEN OR MADE, ANY SUCH OTHER INFORMATION OR REPRESENTATION SHOULD NOT BE RELIED UPON AS HAVING BEEN AUTHORISED, AND (D) NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY SALE MADE HEREUNDER WILL CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS AT ANY TIME SINCE THE DATE HEREOF. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN BUSINESS, LEGAL AND TAX ADVISERS FOR INVESTMENT, LEGAL AND TAX ADVICE AND AS TO THE DESIRABILITY AND CONSEQUENCES OF AN INVESTMENT IN THE NOTES.

FORWARD-LOOKING STATEMENTS

Certain matters contained herein are forward-looking statements. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans and reflect significant assumptions and subjective judgments by the Issuer that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "projects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and changes in governmental regulations, fiscal policy, planning or tax laws in the United Kingdom or Germany. Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer or the WOBA Group. Neither the Arranger nor the Joint Lead Managers have attempted to verify any such statements, nor do they make any representation, express or implied, with respect thereto.

Prospective investors should not therefore, place undue reliance on any of these forward-looking statements. None of the Issuer, or the Arranger or the Joint Lead Managers assumes any obligation to update these forward-looking statements or to update the reasons for which actual results could differ materially from those anticipated in the forward-looking statements.

REFERENCES TO CURRENCIES

All references in this Prospectus to "Euro", "EUR" or "€" are to the currency introduced at the commencement of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended by the Treaty on European Union, as amended by the Treaty of Amsterdam.

Websites referred to in this Prospectus do not form part of this Prospectus.

REGULATORY DISCLOSURE

Article 122a of the Capital Requirements Directive

Bank of America, N.A., London Branch ("**BofAML**") has undertaken to the Joint Lead Managers in a subscription agreement entered into on or about the Closing Date (the "**Subscription Agreement**") and to the Note Trustee in a side letter that it will (i) retain a material net economic interest of not less than 5 per cent. in the securitisation in accordance with the text of Article 122a of CRD 2 ("**Article 122a**"), and (ii) provide all information required to be made available by it pursuant to paragraph 7 of Article 122a, **subject always** to any requirement of law regarding the provision of such information, from the Closing Date at all times whilst the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are outstanding, **provided that** BofAML will not be in breach of such undertakings if it fails to comply due to events, actions or circumstances beyond BofAML's control. Such interest will, in accordance with Article 122a paragraph (1) sub-paragraph (d), comprise the retention of no less than 5 per cent of the nominal value of each of the tranches. Any change to the manner in which such interest is retained will be notified to Noteholders in the investor report following such change. BofAML has provided a corresponding undertaking in the Subscription Agreement with respect to the interest to be retained by it whilst the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes are outstanding.

BofAML has undertaken in the Subscription Agreement to make available to Noteholders upon request, materially relevant data within the context of Article 122a.

Each prospective investor is required independently to assess and determine the sufficiency of the information described above and in this Prospectus generally for the purposes of complying with Article 122a and none of the Issuer, the Arranger, the Joint Lead Managers or any other party to the Issuer Transaction Documents makes any representation that the information described above or in this Prospectus is sufficient in all circumstances for such purposes. In addition, each prospective investor should ensure that it complies with the implementing provisions in respect of Article 122a in its relevant jurisdiction. Investors who are uncertain as to the requirements which apply to them in respect of their relevant jurisdiction, should seek guidance from their regulator.

For further information, see "*Risk Factors — Regulations affecting investors in securitisations*".

CRA Regulation

The credit ratings included or referred to in this Prospectus have been issued by the Rating Agencies, each of which is established in the European Union, and has been registered in accordance with the CRA Regulation.

CONTENTS

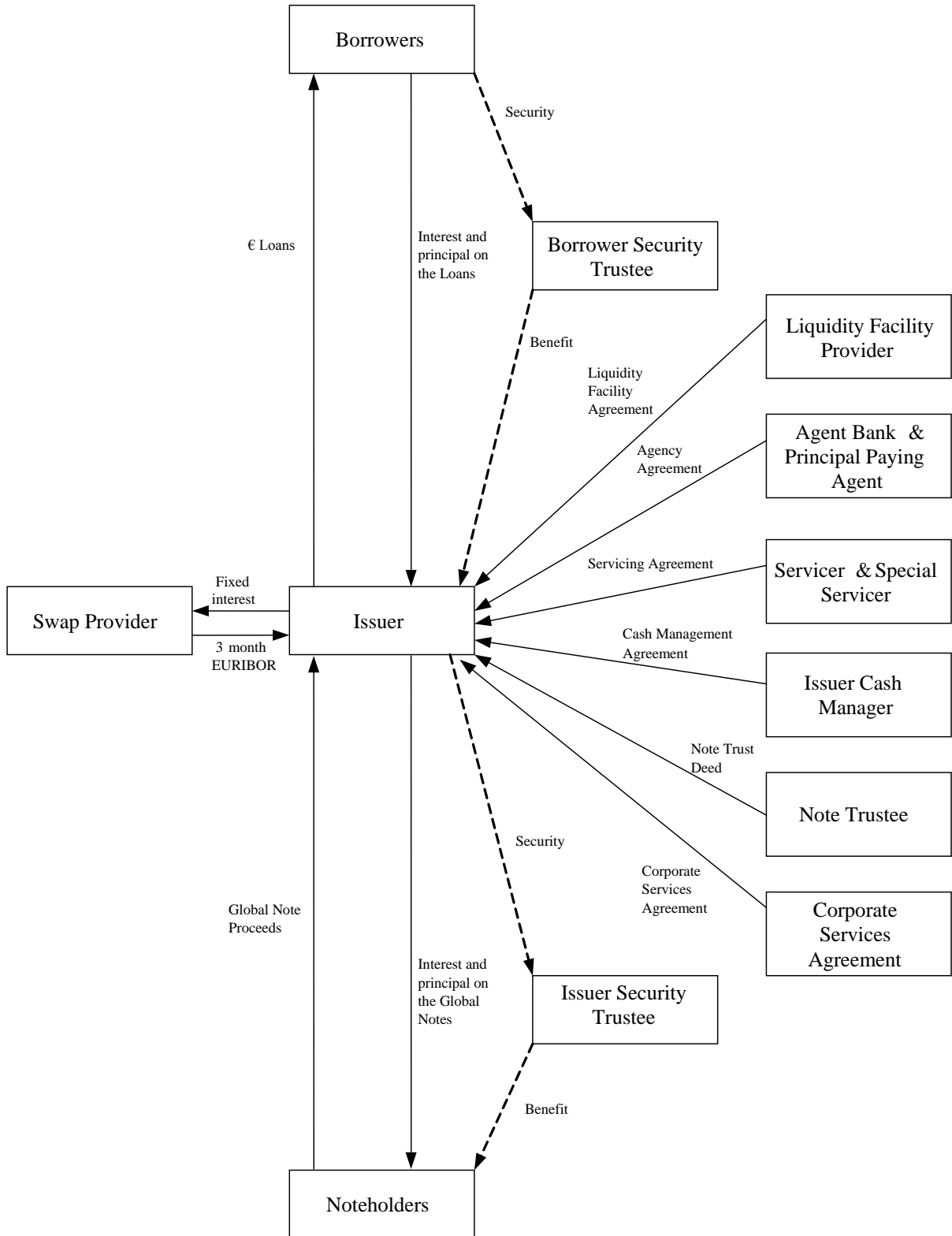
	Page
IMPORTANT NOTICE	iv
REGULATORY DISCLOSURE	vii
OVERVIEW	1
RISK FACTORS	37
THE ISSUER	78
USE OF PROCEEDS	80
HSBC BANK PLC	81
U.S. BANK TRUSTEES LIMITED AND ELAVON FINANCIAL SERVICERS LIMITED, LONDON BRANCH	82
SITUS ASSET MANAGEMENT LIMITED	83
THE GAGFAH GROUP	84
THE BORROWERS AND GUARANTORS	89
PRESENTATION OF FINANCIAL INFORMATION	91
THE PORTFOLIO	94
VALUATION REPORT	101
MANAGEMENT AND ADMINISTRATION OF THE PROPERTIES	102
GERMAN RESIDENTIAL REAL ESTATE SECTOR	104
RELEVANT ASPECTS OF GERMAN PROPERTY LAW	107
TRANSACTION SECURITY	113
THE FACILITY AGREEMENT	116
BANK ACCOUNTS AND CASH MANAGEMENT	144
CASHFLOW AND PRIORITIES OF PAYMENT	151
THE LIQUIDITY FACILITY AGREEMENT	161
THE SWAP ARRANGEMENTS	165
SERVICING ARRANGEMENTS FOR THE LOANS	170
YIELD, PREPAYMENT AND MATURITY CONSIDERATIONS OF THE NOTES	184
THE NOTES	186
THE DEFERRED ARRANGEMENT FEE CERTIFICATE	192
NOTE TRUST DEED AND THE ISSUER DEED OF CHARGE	196
TERMS AND CONDITIONS OF THE NOTES	199
TERMS AND CONDITIONS OF THE DEFERRED ARRANGEMENT FEE CERTIFICATES	231
FEES AND EXPENSES	241
UNITED KINGDOM TAXATION	242
GERMAN TAXATION	245
SUBSCRIPTION AND SALE FOR THE NOTES	249
TRANSFER RESTRICTIONS	252
GENERAL INFORMATION	255
APPENDIX 1 VALUATION REPORT	A-1
APPENDIX 2 2012 AUDITED FINANCIAL STATEMENTS OF WOBA DRESDEN GMBH	A-2
APPENDIX 3 2011 AUDITED FINANCIAL STATEMENTS OF WOBA DRESDEN GMBH	A-3
APPENDIX 4 2012 AUDITED FINANCIAL STATEMENTS OF SÜDOST WOBA DRESDEN GMBH	A-4
APPENDIX 5 2011 AUDITED FINANCIAL STATEMENTS OF SÜDOST WOBA DRESDEN GMBH	A-5

APPENDIX 6 2012 AUDITED FINANCIAL STATEMENTS OF WOHNBAU NORDWEST GMBH A-6	
APPENDIX 7 2011 AUDITED FINANCIAL STATEMENTS OF WOHNBAU NORDWEST GMBH A-7	
APPENDIX 8 2012 AUDITED FINANCIAL STATEMENTS OF LIEGENSCHAFTEN WEIßIG GMBH.....	A-8
APPENDIX 9 2011 AUDITED FINANCIAL STATEMENTS OF LIEGENSCHAFTEN WEIßIG GMBH.....	A-9
INDEX OF DEFINED TERMS	263

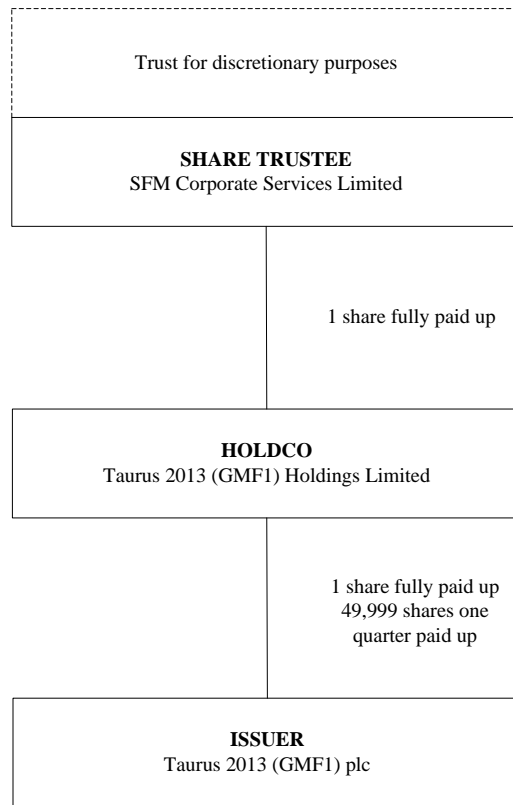
OVERVIEW

The information set out below is an overview of various aspects of the transaction. This overview is not purported to be complete and should be read in conjunction with, and is qualified in its entirety by, references to the detailed information presented elsewhere in this Prospectus.

DIAGRAMMATIC OVERVIEW OF THE TRANSACTION AND CASHFLOWS



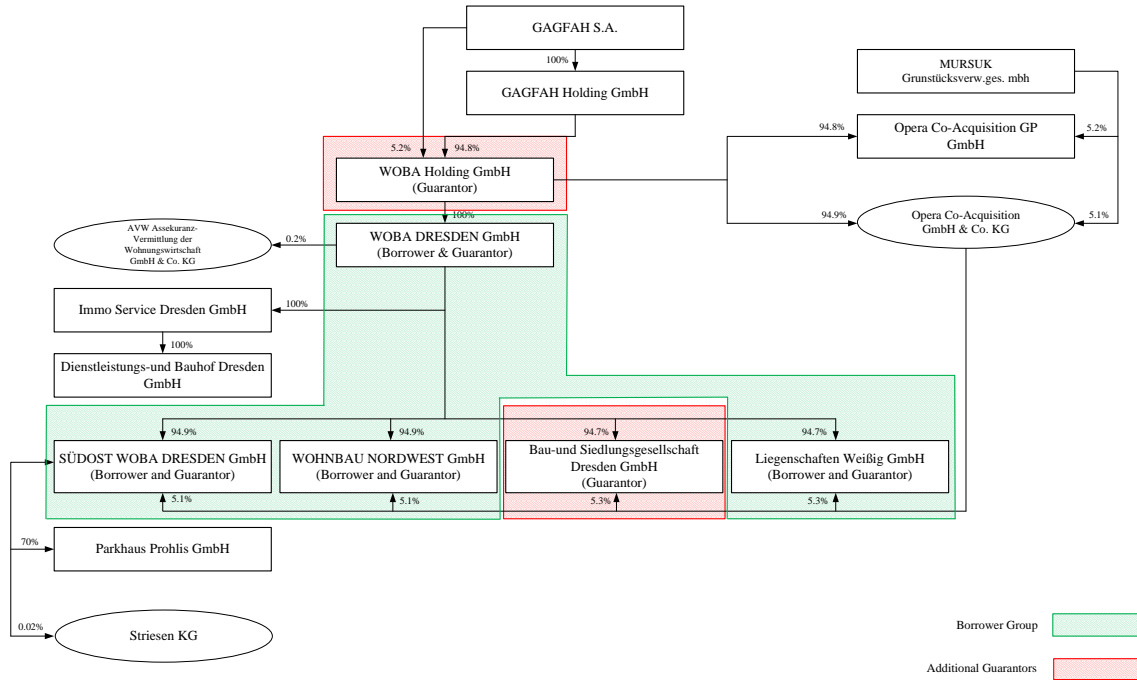
DIAGRAMMATIC OVERVIEW OF THE OWNERSHIP STRUCTURE



This diagram illustrates the ownership structure of the Issuer. The Issuer is a wholly owned subsidiary of HoldCo. The entire issued share capital of HoldCo is held on trust by the Share Trustee under the terms of a discretionary trust.

DIAGRAMMATIC OVERVIEW OF THE WOBA GROUP

The diagram on the following page sets out the corporate structure of the "WOBA Group". It is not intended to be an exhaustive description of such matters. Prospective Noteholders should also review the detailed information set out elsewhere in this Prospectus for a more thorough description of the transaction structure and relevant cashflows prior to making any investment decision.



TRANSACTION PARTIES ON THE CLOSING DATE

Party	Name	Address	<i>Document under which appointed/Further Information</i>
Issuer	Taurus 2013 (GMF1) plc	35 Great St Helen's London EC3A 6AP United Kingdom	See " <i>The Issuer</i> " for further information.
Servicer	Situs Asset Management Limited	33 Gracechurch Street 6 th Floor London EC3V 0BT United Kingdom	The Servicer will act as servicer of the Loans and Transaction Security pursuant to a servicing agreement to be entered into on or about the Closing Date between, among others, the Issuer, the Issuer Security Trustee, and the Servicer (the " Servicing Agreement "). See " <i>Servicing Arrangements for the Loans</i> " for further information.
Special Servicer	Situs Asset Management Limited	27/28 Eastcastle Street London W1W 8DH United Kingdom	The Special Servicer will act as the initial special servicer of the Loans and Transaction Security pursuant to the Servicing Agreement entered into about the Closing Date between, among others, the Issuer, the Issuer Security Trustee and the Special Servicer (together with the Servicer, the " Servicing Entities "). See " <i>Servicing Arrangements for the Loans</i> " for further information.
Issuer Cash Manager	Elavon Financial Services Limited, London Branch	125 Old Broad Street London EC2N 1AR United Kingdom	The Issuer Cash Manager will be appointed pursuant to a cash management agreement to be entered into on the Closing Date between, among others, the Issuer Cash Manager, the Issuer Security Trustee and the Issuer (the " Cash Management Agreement "). See " <i>Bank Accounts and Cash Management</i> " for further information.
Issuer Account Bank	Elavon Financial Services Limited, London Branch	125 Old Broad Street London EC2N 1AR United Kingdom	The Issuer Account Bank will be appointed pursuant to an account bank agreement to be entered into on the Closing Date between, amongst others, the Issuer Account Bank, the Issuer Security Trustee and the Issuer (the " Issuer Account Bank Agreement "). See " <i>Bank Accounts and Cash</i> "

Party	Name	Address	Document under which appointed/Further Information
Liquidity Facility Provider	HSBC Bank plc	8 Canada Square, London E14 5HQ United Kingdom	<p><i>Management</i>" for further information.</p> <p>The Liquidity Facility Provider will act as liquidity facility provider in respect of the Notes pursuant to a liquidity facility agreement dated on or about the Closing Date entered into by the Issuer, the Liquidity Facility Provider, the Issuer Cash Manager and the Issuer Security Trustee (the "Liquidity Facility Agreement"). For the avoidance of doubt, the Liquidity Facility will not be available to make payments in relation to the DACs. See "<i>The Liquidity Facility Agreement</i>" for further information.</p>
Interest Rate Swap Counterparty	HSBC Bank plc	8 Canada Square, London E14 5HQ United Kingdom	<p>The Interest Rate Swap Counterparty will provide interest rate hedging pursuant to an interest rate swap transaction documented under an ISDA 2002 Master Agreement to hedge certain mismatches between the assets and liabilities of the Issuer (the "Interest Rate Swap Agreement"). See "<i>The Swap Arrangements</i>" for further information.</p>
Agent Bank and Principal Paying Agent	Elavon Financial Services Limited, London Branch	125 Old Broad Street London EC2N 1AR United Kingdom	<p>The Principal Paying Agent (together with any other paying agents, the "Paying Agents") and the agent bank (the "Agent Bank") will be appointed pursuant to an agency agreement to be entered into on or about the Closing Date between, among others, the Paying Agents, the Agent Bank and the Issuer (the "Agency Agreement"). See "<i>Terms and Conditions of the Notes</i>" for further information.</p>
Note Trustee	U.S. Bank Trustees Limited	125 Old Broad Street London EC2N 1AR United Kingdom	<p>The Note Trustee will act as trustee for the holders of the Notes and the DACs pursuant to a note trust deed dated on or about the Closing Date</p>

Party	Name	Address	Document under which appointed/Further Information
			between the Issuer and the Note Trustee (the " Note Trust Deed ").
Issuer Security Trustee	U.S. Bank Trustees Limited	125 Old Broad Street London EC2N 1AR United Kingdom	The Issuer Security Trustee will act as security trustee or security agent, depending on the nature and governing law of the relevant security interest, and hold on trust for itself and the other Issuer Secured Creditors or hold as agent for the other Issuer Secured Creditors, as the case may be, the security granted by the Issuer in favour of the Issuer Secured Creditors (the " Issuer Security ") pursuant to a deed of charge dated on or around the Closing Date between, <i>inter alios</i> , the Issuer, the Note Trustee and the Issuer Security Trustee (the " Issuer Deed of Charge ") and pursuant to a security assignment agreement between the Issuer and the Issuer Security Trustee (the " Issuer German Security Agreement "). See " <i>Terms and Conditions of the Notes</i> " for further information.
Issuer Secured Creditors	The Issuer Security Trustee for itself and on trust for the Noteholders, the DACs holders, the Note Trustee, the Servicer, the Special Servicer, the Issuer Cash Account Bank, the Liquidity Facility Provider, the Interest Rate Swap Counterparty, the Agent Bank, the Principal Paying Agent, the Registrar, the Issuer Security Trustee and any appointee thereof, the Issuer Corporate Services Provider, any receiver appointed pursuant to the terms of the Issuer Security Documents and any other person acceding to the Issuer		Issuer Deed of Charge and Issuer German Security Agreement, as applicable.

Party	Name	Address	<i>Document under which appointed/Further Information</i>
	Deed of Charge, the Issuer German Security Agreement and other Issuer Security Documents, as beneficiary from time to time.		
Borrower Security Trustee	Elavon Financial Services Limited, London Branch	125 Old Broad Street London EC2N 1AR United Kingdom	The Borrower Security Trustee will act as security agent or security trustee, depending on the nature and governing law of the relevant security interest, and holds on trust for itself and the lender(s) of the Loans from time to time (together, with the Facility Agent and the Arranger, the " Finance Parties "), the security granted by the Borrowers in favour of the Borrower Security Trustee and the Finance Parties pursuant to each of the Borrower Security Documents — see " <i>The Facility Agreement</i> ".
Issuer Corporate Services Provider	Structured Finance Management Limited	35 Great St Helen's London EC3A 6AP United Kingdom	The Issuer Corporate Services Provider will act as corporate services provider to the Issuer pursuant to a corporate services agreement entered into on or about the Original Facility Date between, among others, the Issuer and the Issuer Corporate Services Provider (the " Issuer Corporate Services Agreement "). See " <i>The Issuer</i> " for further information.
Share Trustee	SFM Corporate Services Limited	35 Great St Helen's London EC3A 6AP United Kingdom	See the section entitled " <i>Diagrammatic Overview of the Ownership Structure</i> ".
Registrar	Elavon Financial Services Limited, London Branch	125 Old Broad Street London EC2N 1AR United Kingdom	
Listing Agent	Arthur Cox Listing Services Limited	Earlsfort Centre Earlsfort Terrace Dublin 2, Ireland	
Stock Exchange	Irish Stock Exchange Limited	28 Anglesea Street Dublin 2, Ireland	

Party	Name	Address	<i>Document under which appointed/Further Information</i>
Clearing Systems	Euroclear	1 Boulevard du Roi Albert II, B 1210 Brussels, Belgium	
	Clearstream, Luxembourg	42 Avenue J.F. Kennedy, L-1855, Luxembourg	

The Servicer, the Special Servicer, the Issuer Cash Manager, the Issuer Account Bank, the Liquidity Facility Provider, the Interest Rate Swap Counterparty, the Agent Bank, the Principal Paying Agent, the Registrar, the Note Trustee, the Issuer Security Trustee and any appointee thereof, the Issuer Corporate Services Provider and any receiver appointed pursuant to the terms of the Issuer Security Documents are together referred to in this Prospectus as the "**Issuer Related Parties**" and each an "**Issuer Related Party**". The Paying Agents, the Agent Banks and any replacements thereto are together referred to in this Prospectus as the Agents (the "**Agents**").

SUMMARY OF THE TERMS AND CONDITIONS OF THE NOTES AND THE DACS

Please refer to the sections entitled "Terms and Conditions of the Notes" and "Terms and Conditions of the DACs", as applicable, for further detail in respect of the terms of the Notes or the terms of the DACs, as applicable.

FULL CAPITAL STRUCTURE OF THE NOTES

	<u>Class A</u>	<u>Class B</u>	<u>Class C</u>	<u>Class D</u>	<u>Class E</u>
Initial Principal Amount	€710,000,000	€130,000,000	€120,000,000	€95,000,000	€19,800,000
Note Credit Enhancement	Subordination of the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes	Subordination of the Class C Notes, the Class D Notes and the Class E Notes	Subordination of the Class D Notes and the Class E Notes	Subordination of the Class E Notes	Excess revenue receipts
Liquidity Support	Liquidity Facility pursuant to and in accordance with the Liquidity Facility Agreement				
Issue Price	100 per cent.	100 per cent.	100 per cent.	100 per cent.	100 per cent.
Interest Reference Rate	3 month EURIBOR (interpolated for 3 month and 4 month EURIBOR in respect of the first Note Payment Date)				
Relevant Margin	1.05 per cent.	1.50 per cent.	2.00 per cent.	2.75 per cent.	3.50 per cent.
Interest Accrual Method	Actual/360				
Interest Determination Date	5 Business Days prior to the relevant Note Payment Date				
Note Payment Dates	21 day of February, May, August and November during each year ¹				
Business Day Convention	Modified Following	Modified Following	Modified Following	Modified Following	Modified Following
First Note Payment Date	21 August 2013 ²				
First Interest Period	From (and including) the Closing Date up to (but excluding) the First Note Payment Date				
Clean Up Call	10 per cent. of the Principal Amount Outstanding				
Note Extension Amount	1 per cent. of the aggregate Principal Amount Outstanding on the Note Payment Date on which the extension	1 per cent. of the aggregate Principal Amount Outstanding on the Note Payment Date on which the	1 per cent. of the aggregate Principal Amount Outstanding on the Note Payment Date on which the	1 per cent. of the aggregate Principal Amount Outstanding on the Note Payment Date on which the	1 per cent. of the aggregate Principal Amount Outstanding on the Note Payment Date on which the extension

¹ Subject to Business Day Convention adjustments

² Subject to Business Day Convention adjustments

	Class A	Class B	Class C	Class D	Class E
	option is exercised and 0.525 per cent. per annum on each Note Payment Date following the Expected Maturity Date.	extension option is exercised and 0.75 per cent. per annum on each Note Payment Date following the Expected Maturity Date.	extension option is exercised and 1 per cent. per annum on each Note Payment Date following the Expected Maturity Date.	extension option is exercised and 1.375 per cent. per annum on each Note Payment Date following the Expected Maturity Date.	option is exercised and 1.75 per cent. per annum on each Note Payment Date following the Expected Maturity Date.
Expected Maturity Date			21 May 2018		
Final Maturity Date			21 May 2024		
Form of the Notes			Bearer		
Application for Listing			Ireland		
Reg S ISIN	XS0932026353	XS0932027245	XS0932027831	XS0932028219	XS0932028300
Reg S Common Code	093202635	093202724	093202783	093202821	093202830
Clearance/Settlement		Euroclear/Clearstream, Luxembourg			
Denominations		€100,000 and multiples of €1,000 in excess thereof			
Retained Amount		Please refer to the section entitled " <i>Regulatory Disclosure</i> "			
Ranking	<p>The Notes constitute unconditional direct, secured and limited recourse obligations of the Issuer and the Notes of each Class will rank <i>pro rata</i> and <i>pari passu</i> without any preference or priority among themselves as to payments of interest and principal at all times.</p> <p>The Class A Notes and the DACs rank <i>pari passu</i> without preference or priority amongst themselves and senior to all other Classes of Notes as provided in the Conditions and the Issuer Transaction Documents.</p> <p>The Class B Notes rank <i>pari passu</i> without preference or priority amongst themselves but junior to the Class A Notes and the DACs as provided in the Conditions and the Issuer Transaction Documents.</p> <p>The Class C Notes rank <i>pari passu</i> without preference or priority amongst themselves but junior to the Class A Notes and the DACs and the Class B Notes as provided in the Conditions and the Issuer Transaction Documents.</p> <p>The Class D Notes rank <i>pari passu</i> without preference or priority amongst themselves but junior to the Class A Notes and the DACs, the Class B Notes and the Class C Notes as provided in the Conditions and</p>				

the Issuer Transaction Documents.

The Class E Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes and the DACs, the Class B Notes, the Class C Notes and the Class D Notes as provided in the Conditions and the Issuer Transaction Documents.

Security

Pursuant to the Issuer Deed of Charge and as set out in Condition 2(b) (*Status, Security and Priority – Security and Priority of Payments*), the Issuer will grant the following security to the Issuer Security Trustee to secure the obligations of the Issuer in respect of the Noteholders and the other Issuer Secured Creditors:

- (a) Pursuant to the Issuer Deed of Charge:
- (i) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and pursuant to, among other things, the Issuer Transaction Documents, the Finance Documents (other than any Finance Document governed by German law), the Transaction Security (other than any Transaction Security governed by German law) and all other contracts, agreements and deeds present and future, to which the Issuer is or may become a party or in respect of which it may have the benefit, including all reports, valuations and opinions (other than any Issuer Security Document);
 - (ii) a first fixed charge over the Issuer's rights, title, interest and benefit both present and future in and to all sums of money or securities which are from time to time and at any time standing to the credit of the Issuer Bank Accounts and any other bank, securities or other account opened and maintained in England and Wales and in which the Issuer may at any time acquire any right, title, interest or benefit or otherwise place and hold its cash or securities, resources, and in the funds or securities from time to time standing to the credit of such accounts and in the debts represented thereby;
 - (iii) a first fixed charge in and to the Issuer's rights, title, interest and benefit, present and future in and to all Permitted Investments made by or on behalf of the Issuer using moneys standing to the credit of the Stand-by Account including without limitation and to the extent not already stated above, all rights to receive payment of all amounts thereunder, all moneys, income and proceeds payable and/or paid thereunder or arising or accrued in respect thereof, the benefit of all covenants relating thereto, all rights of action in respect thereof and all powers and all rights and remedies for enforcing the same; and
 - (iv) a first ranking floating charge over the whole of the undertaking of the Issuer and all its property and assets whatsoever and wheresoever situate, present and future (other than those subject to the fixed charges set out in paragraphs (i) to (iii) above and those subject to the Issuer German Security

Agreement).

- (b) Pursuant to the Issuer German Security Agreement, an assignment by way of security (*Sicherungsabtretung*) of the Issuer's rights, claims and interest against, *inter alia*, the Borrower Security Trustee arising in connection with the German law Finance Documents and Transaction Security, collectively with (a) above, the "**Issuer Security**".

In the event of enforcement of the Issuer Security, certain of the Issuer Secured Creditors will rank senior to the Issuer's obligations under the Notes and the DACs in respect of the allocation of proceeds as set out in the Post-Enforcement Priority of Payments.

In addition, in the event of the enforcement of the Issuer Security, the amounts available to the Noteholders, the DACs holders and the Issuer Secured Creditors (other than the Liquidity Facility Provider) will not include any amounts standing to the credit of the Stand-by Account, which will be paid to the Liquidity Facility Provider.

Valuations

Pursuant to the Facility Agreement, the Borrowers shall, at least once every twelve months after the date of the Facility Agreement, instruct the preparation of an updated valuation in respect of the Properties and shall deliver such report no later than 45 days after the end of each calendar year.

The financial covenants in the Facility Agreement are tested by reference to the information contained in reports delivered by the Borrowers and each valuation provided. See "*The Facility Agreement*" for more detail.

Interest Provisions

The rate of interest payable from time to time in respect of each Class of Notes (each, a "**Rate of Interest**" and together, the "**Rates of Interest**") will be determined by the Agent Bank:

- (a) at, or as soon as practicable after, 11.00 a.m. (Brussels time) two Business Days prior to the first day of each Note Interest Period for which the rate will apply; or
- (b) in the case of the first Note Interest Period, two Business Days prior to the Closing Date,

(each, an "**Interest Rate Determination Date**").

The Rate of Interest applicable to the Notes of each Class shall be equal to and be comprised of the following two components:

- (a) for any Note Interest Period:
 - (1) up to and including the maturity date of the Loans (after taking into due account the exercise of any extension option) (the "**Loan Final Date**") will be equal to three month EURIBOR (or, in the case of the first Note Interest Period, the linear interpolation of three-month and four-month EURIBOR deposits); and
 - (2) from the Loan Final Date will be equal to three month EURIBOR which shall not exceed, in respect of the Class A Notes 8 per cent., in respect of the Class B Notes 8 per cent., in respect of the Class C Notes 8 per cent., in respect of the Class D Notes 8 per cent. and in respect of the Class E Notes 8

per cent.;

plus

- (b) for any Note Interest Period, the Relevant Margin ((a) and (b) together being "**Regular Interest**").

Deferred Arrangement Fee Certificates

On 20 February 2013, as amended and restated from time to time, the Issuer and, *inter alios*, Merrill Lynch International entered into a letter agreement under which Merrill Lynch International, as arranger of the Facility Agreement was mandated by the Issuer to arrange a securitisation transaction to enable the Issuer to repay the Issuer's bridge financing facility. Merrill Lynch International has fulfilled that mandate by arranging the securitisation transaction described in this prospectus and the Issuer has agreed to remunerate the Arranger for providing those services by:

- (a) issuing the Deferred Arrangement Fee Certificates ("**DACs**") to the Arranger; and
- (b) paying the Senior Securitisation Take-Out Fee and the Junior Securitisation Take-Out Fee to the Arranger in accordance with the relevant Priorities of Payment.

10 DACs will be issued on the Closing Date in the form of a Global Deferred Arrangement Fee Certificate deposited with a Common Depository for Euroclear and Clearstream, Luxembourg, as described in DACs Condition 1 (*Form, Denomination and Title*), and are expected on the Closing Date to be rated Asf by Fitch and ASF by DBRS.

Definitive Deferred Arrangement Fee Certificates will be issued and the whole outstanding interest in the Global Deferred Arrangement Fee Certificate will be cancelled at the relevant time after the occurrence of a DAC Exchange Event as defined in "*The Deferred Arrangement Fee Certificate – Issuance of Definitive Deferred Arrangement Fee Certificates*".

DACs Payments

The DACs holders will, *pro rata*, be entitled to, in aggregate on each Note Payment Date commencing on the First Note Payment Date, "**DACs Payments**" as follows:

$$(D\% \times A \times DCF) + \text{Shortfall}$$

where:

"**D%**" means, the rate of 1.15 per cent. per annum on each of the Interest Determination Dates up to and including the DAC Final Payment Date and after the DAC Final Payment Date, zero;

"**A**" means, the aggregate Principal Amount Outstanding in respect of the Class A Notes as at immediately after the application of any Amortisation Funds on the preceding Note Payment Date (or, in respect of the first Note Payment Date, as at such date);

"**Shortfall**" means, where there were insufficient funds to allow the Issuer to pay the aggregate amount of the DACs Payment Amount and the DACs LPI Amount due on the immediately preceding Note Payment Date, the shortfall between such aggregate amount and such funds on such Note Payment Date; and

"DCF" means Actual/360,

and such amount will be the "**DACs Payment Amount**".

The DACs holders will also be entitled to DAC Exit Payment Amounts as described at "- *Exit Fees*".

Please see DACs Condition 4 (*DACs Payments and DAC Exit Payment Amount*) for further details.

DACs Late Payment Interest

Each DAC confers a *pro rata* entitlement to receive DACs Late Payment Interest (if any). DACs Late Payment Interest (if any) is payable in Euro on each Note Payment Date commencing on the First Note Payment Date.

DACs Late Payment Interest shall be computed as follows:

$$\text{Shortfall} \times \text{Late Payment Interest Rate} \times \text{DCF}$$

where:

"**Shortfall**" and "DCF" have the meanings ascribed to them in "- *DACs Payments*" above; and

"**DACs Late Payment Interest Rate**" means 1.15 per cent. per annum,

and such amount will be the "**DACs LPI Amount**".

DACs ISIN:

XS0933680539

DACs Common Code:

093368053

Senior Securitisation Take-Out Fee

Following the DAC Final Payment Date, a "**Senior Securitisation Take-Out Fee**" will be payable by the Issuer to the Arranger on each Note Payment Date up to and including the Expected Maturity Date in accordance with the relevant Priorities of Payment and shall be calculated as follows:

$$(\text{S}\% \times \text{A} \times \text{DCF}) + \text{Senior Shortfall}$$

where:

"**S%**" means the rate of 1.15 per cent. per annum on each Interest Determination Date;

"**Senior Shortfall**" means, where there were insufficient funds to allow the Issuer to pay the aggregate amount of the Senior Securitisation Take-Out Fee due on the immediately preceding Note Payment Date, the shortfall between such aggregate amount and such funds on such Note Payment Date; and

"**A**" and "DCF" have the meanings ascribed to them in "- *DACs Payments*" above.

Note Extension Amounts

Upon the occurrence of the payment of an Extension Fee pursuant to the Facility Agreement, an amount equal to 1 per cent. of the Principal Amount Outstanding of the relevant Class of Notes shall be payable on that Class of Note on the immediately following Note Payment Date from when the extension option was exercised by the Borrower (in relation to each Class of Notes, the "**Initial Note Extension Amount**"). On each Note Payment Date after the Expected Maturity Date an amount equal to 0.525 per cent. per annum of the Principal

Amount Outstanding of the Class A Notes, 0.75 per cent. per annum of the Principal Amount Outstanding of the Class B Notes, 1 per cent. per annum of the Principal Amount Outstanding of the Class C Notes, 1.375 per cent. per annum of the Principal Amount Outstanding of the Class D Notes and 1.75 per cent. per annum of the Principal Amount Outstanding of the Class E Notes will be payable as a further note extension amount ("**Further Note Extension Amount**" and together with the Initial Note Extension Amount, the "**Note Extension Amount**").

For the avoidance of doubt, Further Note Extension Amounts will not be dependent on receipt by the Issuer of payments by the Borrowers under the Loans.

From the proceeds of any Extension Fee paid pursuant to the Facility Agreement, an amount equal to the Initial Note Extension Amounts shall be deemed at such time to constitute Revenue Receipts and applied down the Revenue Priority of Payments (the "**Initial Loan Extension Amount**"). Any remaining amount received as Extension Fees under the Facility Agreement shall be credited to a ledger by the Issuer Cash Manager (the "**Extension Ledger**") and on any Note Payment Date, if there is a shortfall in amounts available to pay Further Note Extension Amounts on the Notes following application of Revenue Receipts under the relevant Priority of Payments, amounts standing to the credit of the Extension Ledger will be utilised by the Issuer to make payments of such shortfall amount firstly, to Further Note Extension Amounts on the Class A Notes, secondly, to Further Note Extension Amounts on the Class B Notes, thirdly, to Further Note Extension Amounts on the Class C Notes, fourthly, to Further Note Extension Amounts on the Class D Notes and fifthly, to Further Note Extension Amounts on the Class E Notes.

To the extent that there are any amounts standing to the credit of the Extension Ledger on the Note Payment Date which is the Loan Final Date, such remaining amounts will constitute Revenue Receipts (the "**Further Loan Extension Amount**").

See Condition 4 (*Interest*) under "*Terms and Conditions of the Notes*" for more detail.

The payments of Note Extension Amounts will be subordinated to, *inter alia*, the payment of Regular Interest. No Note Extension Amounts, other than those already due or overdue, will be payable following the delivery of a Note Acceleration Notice in accordance with, and as defined in, Condition 10 (*Note Events of Default*). The ratings assigned to the Notes do not address the likelihood of receipt of any Note Extension Amount.

Exit Fees

An Exit Payment Amount will be payable *pro rata* in respect of those Classes of Notes which have been subject to a mandatory redemption in part by reason of a prepayment of a Loan (a "**Loan Prepayment**"). An "**Exit Fee**" is payable by the Borrowers in accordance with the prepayment provisions in the Facility Agreement (see "*The Facility Agreement*").

The "**Exit Payment Amount**" will be allocated to each Class of Notes that is subject to mandatory early redemption pursuant to Condition 6(b) (*Redemption and Cancellation – Mandatory Redemption from Principal Receipts*). See "*Cashflow and Priorities of Payment – Exit Payment Amounts*" for more detail.

Any surplus amount of Exit Fee paid under the Loan which is not allocated as an Exit Payment Amount on the Notes will be paid, *pro rata*, to the holders of the DACs on any Note Payment Date up to and including the DAC Final Payment Date (the "**DAC Exit Payment Amount**").

Interest Deferral

To the extent that funds available to the Issuer to pay Regular Interest on the Notes of any class (other than the Class A Notes and the Class B Notes and, if the Class A Notes and the Class B Notes have been redeemed the then Most Senior Class of Notes then outstanding) on a Note Payment Date are insufficient to pay either the full amount of such Regular Interest in respect of the Class A Notes, payment of the shortfall in respect of such class of Notes ("**Deferred Interest**") will not then fall due but will instead be deferred until the first Note Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with the Conditions) to fund the payment of such Deferred Interest to the extent of such available funds and in accordance with the relevant Priority of Payments.

Such Deferred Interest will accrue interest ("**Additional Interest**") at the rate of interest applicable from time to time to such Notes and such portion of interest (as determined by Condition 4 (*Interest*)) and payment of any Additional Interest will also be deferred until the first Note Payment Date thereafter on which funds are available (subject to and in accordance with the Conditions) to the Issuer to pay such Additional Interest.

Payment of any amounts of Deferred Interest or Additional Interest, as applicable, shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which each respective class of Notes falls to be redeemed in full in accordance with Condition 6 (*Redemption and Cancellation*) and any such amount which has not then been paid in respect of the relevant class of Notes shall thereupon become due and payable in full.

Deferral of Note Extension Amounts

To the extent that funds available to the Issuer to pay Note Extension Amounts on the Notes of any class on a Note Payment Date are insufficient to pay the full amount of such Note Extension Amounts, payment of the shortfall of any Note Extension Amount (the "**Deferred Note Extension Amount**") will not fall due on that Note Payment Date, but will instead be deferred until the first Note Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with the Conditions) to fund the payment of such Deferred Note Extension Amounts. Such Deferred Note Extension Amounts will not accrue interest.

Payment of any amounts of Deferred Note Extension Amounts shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which each respective class of Notes falls to be redeemed in full in accordance with Condition 6 (*Redemption and Cancellation*) and any such amount which has not then been paid in respect of the relevant class of Notes shall thereupon become due and payable in full.

Gross-up

All payments in respect of the Notes and the DACs 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 relevant Paying Agent is required by applicable law in any jurisdiction to make any payment in respect of the Notes or the DACs subject to any such withholding or deduction. In that event, the Issuer

or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to holders of Notes or holders of the DACs, as applicable, in respect of such withholding or deduction. None of the Issuer or any Paying Agent will be obliged to gross-up if there is any withholding or deduction in respect of the Notes or the DACs on account of taxes.

Redemption

The Notes are subject to the following optional or mandatory redemption events:

- mandatory redemption in whole on the Final Maturity Date, as fully set out in Condition 6(a) (*Redemption and Cancellation – Final Redemption of the Notes*);
- mandatory redemption in part on each Note Payment Date in an amount equal to Principal Receipts received by the Issuer, as fully set out in Condition 6(b) (*Redemption and Cancellation – Mandatory Redemption from Principal Receipts*);
- optional redemption exercisable by the Issuer in whole for tax reasons on any Note Payment Date following that date, as fully set out in Condition 6(c) (*Redemption and Cancellation – Optional Redemption for Tax or Other Reasons*); and
- optional redemption exercisable by the Issuer in whole on any Note Payment Date on which the aggregate Principal Amount Outstanding of the Notes is (or will be) less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date, as fully set out in Condition 6(d) (*Optional Redemption in Full*).

Any Note redeemed pursuant to the above redemption provisions will be redeemed at an amount equal to the Principal Amount Outstanding of the relevant Note to be redeemed together with accrued (and unpaid) interest on the Principal Amount Outstanding of the relevant Note up to (but excluding) the date of redemption.

Note Events of Default

The Note Events of Default are set out in Condition 10 (*Note Events of Default*) and include (where relevant, subject to the applicable grace period and any other applicable condition):

- (a) default is made for a period of five days in the payment of Regular Interest on the Class A Notes or the Class B Notes or, if the Class A Notes and the Class B Notes have been redeemed the then Most Senior Class of Notes then outstanding in each case when and as the same becomes due and payable in accordance with the Conditions;
- (b) default is made for a period of three days in the payment of principal on, the Notes of any Class then outstanding in each case when and as the same becomes due and payable in accordance with the Conditions;
- (c) default by the Issuer in the performance or observance of any other obligation binding upon it, under the Notes of any Class or under the Issuer Transaction Documents;

- (d) the Issuer ceases to carry on business or a substantial part of its business or is deemed unable to pay its debts as and when they fall due; and
- (e) an order is made or an effective resolution is passed for the winding-up of the Issuer; or
- (f) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, examinership, composition, reorganisation or other similar laws.

For the avoidance of doubt, any failure to pay DACs Payment Amounts, DACs LPI Amounts or DAC Exit Payment Amounts under the DACs shall not constitute a Note Event of Default and DACs holders will not in any event be entitled to deliver a Note Acceleration Notice to the Note Trustee.

Acceleration and Enforcement

If a Note Event of Default has occurred and is continuing, the Note Trustee at its absolute discretion may either:

- (i) if so requested in writing by the holders of Notes outstanding constituting not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; or
- (ii) if so directed by or pursuant to an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding,

shall (subject to the Note Trustee being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a "**Note Acceleration Notice**") to the Issuer and the Issuer Security Trustee (with a copy to the Interest Rate Swap Counterparty) declaring all the Notes to be immediately due and repayable in accordance with Condition 10 (*Note Events of Default*).

Upon the giving of a Note Acceleration Notice in accordance with Condition 10(a) (*Note Events of Default – Events*), all Classes of the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest (including, where applicable, Deferred Interest and any other amounts due) as provided in the Note Trust Deed and the Issuer Security shall become enforceable, as described in Condition 11 (*Enforcement*).

Note Maturity Plan

As described in more detail in Condition 13 (*Note Maturity Plan*), if any of the Loans remain outstanding on the date which is six months prior to the Final Maturity Date, the Special Servicer shall be required to prepare a draft note maturity plan (the "**Note Maturity Plan**") and present the same to the Issuer, the Note Trustee and the Issuer Security Trustee not later than 45 days after such date together with a statement of whether, in the opinion of the Special Servicer, all recoveries then anticipated by the Special Servicer with respect to the Loans (whether by enforcement of the Transaction Security or otherwise) are likely to be realised in full prior to the Final Maturity Date,. Upon receipt of the draft Note Maturity Plan, the Note Trustee will, at the cost of the Issuer, convene a meeting of all Noteholders at which the Noteholders will have the opportunity to discuss the various proposals contained in the draft Note Maturity Plan with the Special Servicer.

Following such meeting, if the Special Servicer is of the opinion that the Loans are unlikely to be realised in full prior to the Final Maturity

Date, the Special Servicer will promptly prepare a final Note Maturity Plan and the Note Trustee will convene a meeting of the Noteholders of the Most Senior Class of Notes outstanding at which the Noteholders of the Most Senior Class of Notes will be requested to select their preferred option among the proposals set forth in the final Note Maturity Plan. The Special Servicer will, notwithstanding any other provision of the Servicing Agreement or requirement to act in accordance with the Servicing Standard, implement the proposal that receives the approval of the holders of the Most Senior Class of Notes then outstanding by way of Ordinary Resolution. If no option receives the approval of the holders of the Most Senior Class of Notes then outstanding by way of Ordinary Resolution at such meeting, then the Issuer Security Trustee will be deemed to be directed by all of the Noteholders to appoint a receiver in order to realise all the property of the Issuer which is subject to the Issuer Security (the "**Charged Property**") in accordance with the Issuer Deed of Charge.

Limited Recourse

As described in more detail in Condition 12 (*Limited Recourse and Non-Petition*), the Notes are limited recourse obligations of the Issuer, and, if the Notes are not repaid in full following the Final Maturity Date or realisation of all of the Issuer Security, the Issuer shall have no liability to make payment of any shortfall and any claim in respect thereof will be extinguished.

The DACs are only entitled to funds which are available to the Issuer for distribution in accordance with the applicable Priorities of Payment and therefore the DACs are limited recourse obligations of the Issuer.

Non petition

As described in more detail in Condition 12 (*Limited Recourse and Petition*), no Noteholder shall be entitled to seek to enforce the Issuer Security, including directing the Note Trustee to instruct the Issuer Security Trustee, or to enforce the Issuer Security provided that if the Note Trustee or, as the case may be, the Issuer Security Trustee, having become bound to do so, fails to do so within a reasonable period and such failure shall be continuing holders of the Most Senior Class of Notes outstanding may instruct the Issuer Security Trustee to take enforcement steps in relation to the Issuer Security.

Governing Law

The Issuer Transaction Documents, the Notes, the DACs and any non-contractual obligation arising from or in connection with them, will be governed by, and shall be construed in accordance with, English law (other than the Issuer German Security Agreement which will be governed by German law).

RIGHTS OF NOTEHOLDERS AND DACS HOLDERS AND RELATIONSHIP WITH OTHER ISSUER SECURED CREDITORS

Please refer to sections entitled "Terms and Conditions of the Notes" and "Rights of Noteholders and other Issuer Secured Creditors" for further detail in respect of the rights of Noteholders, conditions for exercising such rights and relationship with other Issuer Secured Creditors.

Prior to an Event of Default

As described in more detail in Condition 14(b) (*Meetings of Noteholders, Modification and Waiver, Substitution and Termination of Certain Issuer Related Parties*), the Note Trustee shall, upon a requisition in writing signed by the holders representing in aggregate at least 10 per cent. of the Principal Amount Outstanding of the Notes of the relevant Class or Classes of Notes, convene a meeting or meetings of the Noteholders of such Class or Classes of Notes.

The Issuer, the Note Trustee, the Issuer Cash Manager, the Servicer or the Special Servicer may also convene Noteholder meetings (at the cost of the Issuer) for any purpose including consideration of Extraordinary Resolutions and Ordinary Resolutions.

The Note Trustee will, pursuant to Condition 13 (*Note Maturity Plan*), also be required to convene, at the cost of the Issuer, meetings of (a) Noteholders for the purposes of considering any draft Note Maturity Plan and (b) the Noteholders of the Most Senior Class of Notes outstanding at which Noteholders of such Class will be required to select their preferred option among the proposals set forth in the final Note Maturity Plan.

Noteholders Meeting provisions

	<i>Initial meeting</i>	<i>Adjourned meeting</i>
Notice period:	14 clear days	7 clear days
Quorum:	In accordance with Condition 14(j), one or more persons present holding Notes or voting certificates in respect thereof or being proxies representing in the aggregate not less than 50.1 per cent. of the Principal Amount Outstanding of the Notes or the Notes of such Class (other than a meeting to consider a Basic Terms Modification, which requires one or more persons present holding Notes or voting certificates in respect thereof or proxies representing not less than 75 per cent. of the Principal Amount Outstanding of the Notes (or the relevant Class thereof) for the time being outstanding for the time being outstanding).	In accordance with Condition 14(k), one or more persons being or representing Noteholders provided that , with respect to an adjourned meeting to consider a Basic Terms Modification, such Noteholders must also represent at least 33⅓ per cent. of the Principal Amount Outstanding of the relevant Class of Notes.

Required majority: The majority required for passing an Extraordinary Resolution at any meeting of Noteholders will be at least 75 per cent. of votes cast.

The majority required for passing an Ordinary Resolution at any meeting of Noteholders will be at least 50.1 per cent. of votes cast.

Written Resolution: An Extraordinary Resolution passed in writing by holders of not less than 75 per cent. of the Principal Amount Outstanding of the relevant Class of Notes (a "**Written Extraordinary Resolution**") will have the same effect as an Extraordinary Resolution.

An Ordinary Resolution passed in writing by holders of not less than 50.1 per cent. of the Principal Amount Outstanding of the relevant Class of Notes (a "**Written Ordinary Resolution**") will have the same effect as an Ordinary Resolution.

Matters requiring Extraordinary Resolution

The following matters may only be passed by way of an Extraordinary Resolution:

- (a) a Basic Terms Modification; and
- (b) a modification of the Notes or the Note Trust Deed (including the Conditions) or the provisions of any of the other Issuer Transaction Documents.

Matters requiring Ordinary Resolution

The following matters may only be passed by way of an Ordinary Resolution:

- (a) the removal of the Note Trustee, the Issuer Security Trustee, the Servicer (for cause), the Special Servicer (for cause), the Issuer Cash Manager, the Issuer Account Bank, the Agent Bank, the Principal Paying Agent or the Issuer Corporate Services Provider;
- (b) approval of a Note Maturity Plan; and
- (c) a direction to the Issuer to make a Majority Lender direction to the Facility Agent to request a Lender Appraisal pursuant to the Facility Agreement.

Relationship between Classes of Noteholders and DACs holders

The DACs will have no voting rights. The Note Trustee will be obliged to have regard to the interests of the Noteholders and the DACs holders when exercising any of its powers, duties, rights, discretions and authorities, save that (other than as stated below), where the Note Trustee is of the opinion that there is or may be a conflict between the interests of the Noteholders and the DACs holders, the Note Trustee will only be obliged to have regard to the interests of the Noteholders. However, at no time shall the Issuer and/or the Note Trustee be permitted to amend the DACs Conditions or alter the position of the DACs in the relevant Priorities of Payment. See "*Description of Note Trust Deed*" for further information.

Relationship between Noteholders, DACs holders and other Issuer Secured Creditors

Subject to the provisions governing a Basic Terms Modification and to the provisions of the Conditions governing voting generally, an Extraordinary Resolution or an Ordinary Resolution passed at any meeting or duly signed by the required majority of Noteholders (or any Class thereof) shall be binding on all Noteholders (or, as the case may be, all Noteholders of such Class) whether or not they are present at such meeting or signed such resolution.

The Note Trust Deed will provide that an Extraordinary Resolution of the Class A Noteholders will be binding on the Class B Noteholders, the Class C

Noteholders, the Class D Noteholders and the Class E Noteholders irrespective of the effect upon them, other than in respect of a Basic Terms Modification which requires an Extraordinary Resolution of each Class of Notes then outstanding.

As described in more detail in Condition 2(a) (*Status, Security and Priority – Status and Relationship among the Notes*), for so long as any of the Notes is outstanding, the Note Trustee is required to have regard to the interests of the holders of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise). Save, in the case of the Notes, in respect of a Basic Terms Modification, if, in the opinion of the Note Trustee, there is a conflict between one Class of Noteholders, on the one hand, and any other Class of Noteholders, on the other hand, the Note Trustee shall have regard only to the interests of the Most Senior Class of Noteholders in respect of which the conflict arises.

The Issuer Deed of Charge provides that if there is a conflict between the interests of (a) any of the Noteholders and (b) any of the other Issuer Secured Creditors (including the DACs holders), the Issuer Security Trustee shall be entitled to have regard only to the interests of the Noteholders.

Disenfranchisement of Notes held by the Borrower Group or its Affiliates

As described in more detail in Condition 14 (*Meetings of Noteholders, Modification and Waiver, Substitution and Termination of Certain Issuer Related Parties*), for the purposes of determining (i) the quorum at any meeting of Noteholders considering an Extraordinary Resolution or an Ordinary Resolution or the majority of votes cast at such meeting; (ii) the holders of Notes for the purposes of giving any direction to the Note Trustee (or any other party); or (iii) the majorities required for any Written Resolution, the voting or directing rights attaching to any Note held by (or in relation to which the exercise of the right to vote is directed or otherwise controlled by) (A) the Issuer or any Affiliate of the Issuer, or (B) any member of the Borrower Group (each such person falling within items (A) or (B) above, a "**Disenfranchised Holder**") shall not be exercisable by such Disenfranchised Holder, and such Notes and shall be treated as if they were not outstanding and shall not be counted in or towards any required quorum or majority.

Provision of Information to the Noteholders and DACs holders

Information in respect of the Loans and the Properties will be provided to the investors on a quarterly basis in the Servicer Quarterly Report. See "*Servicing Arrangements for the Loans*" for further details.

Pursuant to the Cash Management Agreement, the Issuer Cash Manager will make available on its website (currently located at www.usbank.com/abs):

- (a) the Servicing Agreement and any amendment thereto;
- (b) all Issuer Cash Manager Quarterly Reports made available to holders of the Notes and holders of the DACs since the Closing Date; and
- (c) all accountants' reports delivered to the Issuer Cash Manager since the Closing Date pursuant to the Servicing Agreement.

Communication with Noteholders and DACs holders

All notices to be given by the Issuer, the Servicer, the Special Servicer, the Issuer Cash Manager or the Note Trustee to Noteholders or DACs holders, as applicable, may be given in accordance with the provisions of Condition 17 (*Notice to and Communication between Noteholders*) and DACs Condition 14 (*Notice to and Communication between DACs holders*).

Communication

As described in more detail in Condition 17 (*Notice to and Communications*)

between Noteholders and DACs holders

between Noteholders) or DACs Condition 14 (*Notice to and Communication between DACs holders*), as applicable, following receipt of a request for the publication of a notice from a Noteholder or a DACs holder which has satisfied the Issuer Cash Manager that it is a Noteholder or DACs holder, as applicable (in relation to the Notes, a "**Verified Noteholder**" and the "**Initiating Noteholder**", and in relation to the DACs, a "**Verified DACs holder**" and the "**Initiating DACs holder**"), the Issuer Cash Manager shall publish such notice on its investor reporting website **provided that** such notice contains no more than:

- (a) an invitation to other Verified Noteholders or Verified DACs holders (or any specified Class or Classes of the same) to contact the Initiating Noteholder or Initiating DACs holder, as applicable;
- (b) the name of the Initiating Noteholder or Initiating DACs holder, as applicable, and the address, phone number, website or email address at which the Initiating Noteholder or Initiating DACs holder, as applicable, can be contacted; and
- (c) the date(s) from, on or between which the Initiating Noteholder or Initiating DACs holder, as applicable, may be so contacted.

Rating Agency Confirmation

The implementation of certain matters will or may (at the request of the Note Trustee), be subject to the receipt of written confirmation from each Rating Agency then rating the Notes and the DACs that the then current ratings of each Class of Notes and the DACs rated thereby will not be qualified, downgraded or withdrawn as a result of such modification, it being acknowledged that there is no obligation on any Rating Agency to provide any such confirmation (a "**Rating Agency Confirmation**").

The Issuer Transaction Documents provide that if any Rating Agency then rating the Notes and/or the DACs either (i) does not respond to a request to provide a Rating Agency Confirmation within 10 Business Days after such request is made or (ii) provides a waiver or acknowledgement indicating its decision not to review or otherwise declining to review the matter for which the Rating Agency Confirmation is sought, the requirement for the Rating Agency Confirmation from the relevant Rating Agency with respect to such matter will be deemed not to be applicable for such matter and the Note Trustee, the Issuer Security Trustee, the Servicer and the Special Servicer shall not be liable for any losses Noteholders may suffer as a result.

Relevant Dates and Periods

Closing Date: The date of initial issuance for the Notes is expected to be 16 May 2013 (or such other date as the Issuer and the Arranger and the Joint Lead Managers may agree) (the "**Closing Date**").

Cut-Off Date: Where used in this Prospectus in respect of certain information relating to the Properties, the "**Cut-Off Date**" is 28 February 2013.

Expected Maturity Date: 21 May 2018 (the "**Expected Maturity Date**"), which is the Note Payment Date immediately following the Loan Maturity Date and, therefore, the date by which it is expected the Notes will be repaid in full.

DAC Final Payment Date: 21 May 2016 (the "**DAC Final Payment Date**"), which is the Note Payment Date falling in May 2016.

Final Maturity Date: Unless previously redeemed in full, the Issuer will redeem the Notes in full (together with all accrued interest thereon) on 21 May 2024 (the "**Final Maturity Date**").

Note Payment Date: 21st day of February, May, August and November in each year or, if such day is not a Business Day, the next following Business Day (unless such Business Day falls in the next succeeding calendar month, in which event the immediately preceding Business Day, each such day being, a "**Note Payment Date**"). The first Note Payment Date in respect of the Notes will be the Note Payment Date falling in August 2013.

Loan Payment Date: The 14th calendar day of each of February, May, August and November, or, if such day is not a Business Day under the Facility Agreement, then on the next succeeding business day in the relevant calendar month (unless such Business Day falls in the next calendar month, in which event, the immediately preceding Business Day) (each, a "**Loan Payment Date**").

Loan Interest Accrual Period: A three month period starting on (and including) a Loan Payment Date and ending on (but excluding) the next Loan Payment Date (or with respect to the first Loan Interest Accrual Period of a Loan, the relevant Utilisation Date), a "**Loan Interest Accrual Period**").

Business Day: "**Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in London, Frankfurt am Main and Dublin and which is a TARGET Day. "**TARGET Day**" means any day on which TARGET2 is open for the settlement of payments in Euro. "**TARGET2**" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

Determination Date: five Business Days prior to each Note Payment Date (the "**Determination Date**").

The Determination Date is the date on which the Servicer will be required to identify, among other things, the source and allocation of the amounts received in respect of the Loans and the date on which the Issuer Cash Manager will be required to calculate, among other things, the amounts required to pay interest and principal in respect of the Notes.

Interest Rate Determination Date: In respect of the first Note Interest Period two Business Days prior to the Closing Date and, in respect of all subsequent Note Interest Periods, two Business Days prior to each such Note Interest Period (each, an "**Interest Rate Determination Date**").

CREDIT STRUCTURE AND CASHFLOW

Please refer to sections entitled "Key Structural Features" for further detail in respect of the credit structure and cash flow of the transaction

Principal Receipts Principal Receipts will comprise principal received or recovered by or on behalf of the Issuer in connection with the Facility Agreement and standing to the credit of the Issuer Transaction Account, including:

- Amortisation Funds;
- amounts recovered in respect of the Loans which are applied towards the reduction of outstanding principal as a result of any action taken to enforce the Loans and/or the Transaction Security;
- Allocated Loan Amount and other mandatory prepayment amounts of a principal nature as a result of: illegality, mandatory prepayment from insurance proceeds or recovery claims, disposals, change of control, a cash trap event or a cure payment or, in certain cases, repair and maintenance reserves, subject to the conditions set out in the Facility Agreement;
- insurance proceeds received in respect of any insurance policy relating to the Properties or the proceeds of any compulsory purchase that are allocated towards repayment of principal in accordance with the terms of the Facility Agreement;
- mandatory and voluntary repayments or prepayments in respect of the principal outstanding under the Loans made in accordance with the Facility Agreement;
- Disposal Proceeds;
- any amount applied by the Borrowers in prepayment of the Loans to cure a Loan Event of Default pursuant to the Facility Agreement; and
- any amount in respect of the prepayment of the principal outstanding under any Loans as a consequence of the occurrence of illegality or any requirement to pay any additional amount as a consequence of any withholding for or on account of tax,

in relation to which, see "*The Facility Agreement*".

Revenue Receipts Any amounts that are not Principal Receipts, including:

- Interest payments received under the Loans;
- Exit Fees received under the Loans, Initial Loan Extension Amounts and Further Loan Extension Amounts;
- amounts to be received from the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement on the relevant Note Payment Date (excluding swap collateral standing to the credit of the Swap Collateral Accounts), any swap termination payments (other than such swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions) recovered by the Issuer under the Interest Rate Swap Agreement and any swap replacement premium (other than such swap replacement premium applied or to be applied by the Issuer in making any swap termination payment due from it to the Interest Rate Swap Counterparty);
- any Swap Collateral Available Amounts (except to the extent required to be applied by the Issuer towards the purchase of one or more replacement hedging transactions);
- breakage gains received from the Interest Rate Swap Counterparty upon reduction of the swap in connection with the prepayment of the Fixed Rate Loan in part or in full by any of the Borrowers ("**Breakage Gain Amounts**"). Prior to a Loan Event of Default to occurring, such Breakage Gain Amounts shall upon receipt be paid directly back to the Borrowers by the Issuer;
- amounts drawn under the Liquidity Facility (save that, for the avoidance of doubt, no amounts drawn under the Liquidity Facility Agreement will be used to pay any

amounts due on the DACs); and

- interest of amounts standing to the credit of the Issuer Bank Accounts.

Sequential Payment Trigger

It is intended that principal will be paid *pro rata* and *pari passu* up to the occurrence of a Sequential Payment Trigger. Following a Sequential Payment Trigger, principal will be paid in sequential order and, for the avoidance of doubt, payment of principal cannot revert to being paid *pro rata* and *pari passu*.

A "Sequential Payment Trigger" will occur upon the occurrence of the following:

- (i) A Loan Event of Default has occurred, which has not been remedied or cured in accordance with the Facility Agreement; or
- (ii) the occurrence of a Note Payment Date after the Expected Maturity Date.

Summary of Priorities of Payments

Below is a summary of the relevant payment priorities. Full details of the payment priorities are set out in the section entitled "*Cashflow and Priorities of Payment*".

<u>Pre-enforcement Revenue Priority of Payments:</u>	<u>Pre-enforcement Principal Priority of Payments:</u>	<u>Pre-enforcement Loan Repayment Failure Priority of Payments:</u>	<u>Post-enforcement Priority of Payments:</u>
In the following sequential order:	In the following sequential order:	In the following sequential order:	In the following sequential order:
(1) <i>Pro rata</i> and <i>pari passu</i> , fees or other remuneration of any costs, charges, liabilities and expenses incurred by the Note Trustee and Issuer Security Trustee;	(1) To pay the Special Servicer any liquidation or work-out fees in accordance with the Servicing Agreement; and	(1) <i>Pro rata</i> and <i>pari passu</i> , fees or other remuneration of any costs, charges, liabilities and expenses incurred by the Note Trustee and Issuer Security Trustee and any receiver;	(1) <i>Pro rata</i> and <i>pari passu</i> , fees or other remuneration of any costs, charges, liabilities and expenses incurred by the Note Trustee and Issuer Security Trustee and any receiver;
(2) <i>Pro rata</i> and <i>pari passu</i> , save as specifically contemplated below, for amounts in relation to services rendered by third parties to the Issuer as permitted under the Issuer Transaction Documents including, without limitation, legal fees, auditor fees, stock exchange fees and rating agencies fees;	(2) Prior to the occurrence of a Sequential Payment Trigger, <i>pro rata</i> and <i>pari passu</i> in the repayment of principal on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes.	(2) <i>Pro rata</i> and <i>pari passu</i> for fees and charges payable to the Issuer Corporate Services Provider, Servicer and/or Special Servicer, Facility Agent, Issuer Account Bank, Issuer Cash Manager and the Agents;	(2) <i>Pro rata</i> and <i>pari passu</i> for fees and charges payable to the Issuer Corporate Services Provider, Servicer and/or Special Servicer, Facility Agent, Issuer Account Bank, Issuer Cash Manager and the Agents;
(3) <i>Pro rata</i> and <i>pari passu</i> for fees and charges payable to the	(3) Following the occurrence of a Sequential Payment Trigger:	(3) all amounts due on account of any financing obtained by the Special Servicer on behalf of the Issuer as authorised pursuant to the Servicing	(3) all amounts due on account of any financing obtained by the Special Servicer on behalf of the Issuer as authorised pursuant to the Servicing Agreement;
	(a) <i>first</i> , in the repayment of principal due or overdue on the Class A Notes;		
	(b) <i>second</i> , in the repayment of principal due or		

<p>Issuer Corporate Services Provider, Servicer and/or Special Servicer, Facility Agent, Issuer Account Bank, Issuer Cash Manager and the Agents;</p> <p>(4) Amounts due or accrued but unpaid to the Liquidity Facility Provider (other than Liquidity Subordinated Amounts);</p> <p>(5) Amounts due to the Interest Rate Swap Counterparty (other than Swap Subordinated Amounts);</p> <p>(6) Issuer Profit Amount;</p> <p>(7) <i>Pro rata</i> and <i>pari passu</i>, Regular Interest and Deferred Interest (and any Exit Payment Amounts) due or overdue to the Class A Notes and (without utilising amounts drawn under the Liquidity Facility Agreement) payment of DACs Payment Amounts and any DACs LPI Amounts (and any DAC Exit Payment Amount);</p> <p>(8) Regular Interest and Deferred Interest (and any Exit Payment Amounts) due or overdue to the Class B Notes;</p> <p>(9) Regular Interest and Deferred Interest (and any Exit Payment Amounts) due or overdue to the Class C Notes;</p> <p>(10) Regular Interest</p>	<p>overdue on the Class B Notes;</p> <p>(c) <i>third</i>, in the repayment of principal due or overdue on the Class C Notes;</p> <p>(d) <i>fourth</i>, in the repayment of principal due or overdue on the Class D Notes; and</p> <p>(e) <i>fifth</i>, in the repayment of principal due or overdue on the Class E Notes; and</p> <p>(4) payment of any surplus amount in accordance with the Pre-Enforcement Revenue Priority of Payments.</p>	<p>Agreement;</p> <p>(4) Amounts due or accrued but unpaid to the Liquidity Facility Provider (other than Liquidity Subordinated Amounts);</p> <p>(5) Amounts due to the Interest Rate Swap Counterparty (other than Swap Subordinated Amounts);</p> <p>(6) the Issuer Profit Amount;</p> <p>(7) <i>Pro rata</i> and <i>pari passu</i>, Regular Interest and Deferred Interest (and any related Exit Payment Amounts) due or overdue to the Class A Notes and (without utilising amounts drawn under the Liquidity Facility Agreement) payment of DACs Payment Amounts and any DACs LPI Amounts (and any DAC Exit Payment Amount);</p> <p>(8) Regular Interest and Deferred Interest (and any related Exit Payment Amounts) due or overdue to the Class B Notes;</p> <p>(9) principal due or overdue to the Class A Notes;</p> <p>(10) principal due or overdue to the Class B Notes;</p> <p>(11) Regular Interest and Deferred Interest and principal (and any related Exit Payment Amounts) due or</p>	<p>(4) Amounts due or accrued but unpaid to the Liquidity Facility Provider (other than Liquidity Subordinated Amounts);</p> <p>(5) Amounts due to the Interest Rate Swap Counterparty (other than Swap Subordinated Amounts);</p> <p>(6) <i>Pro rata</i> and <i>pari passu</i>, Regular Interest, Deferred Interest and principal (and any related Exit Payment Amounts) due or overdue to the Class A Notes and payment of DACs Payment Amounts and any DACs LPI Amounts (and any DAC Exit Payment Amount);</p> <p>(7) Regular Interest, Deferred Interest and principal (and any related Exit Payment Amounts) due or overdue to the Class B Notes;</p> <p>(8) Regular Interest, Deferred Interest and principal (and any related Exit Payment Amounts) due or overdue to the Class C Notes;</p> <p>(9) Regular Interest, Deferred Interest and principal (and any related Exit Payment Amounts) due or overdue to the Class D Notes;</p> <p>(10) Regular Interest, Deferred Interest and principal (and any related Exit Payment Amounts) due or</p>
---	---	--	--

<p>and Deferred Interest (and any Exit Payment Amounts) due or overdue to the Class D Notes;</p> <p>(11) Regular Interest and Deferred Interest (and any Exit Payment Amounts) due or overdue to the Class E Notes;</p> <p>(12) Note Extension Amounts due or overdue on the Class A Notes;</p> <p>(13) Note Extension Amounts due or overdue on the Class B Notes;</p> <p>(14) Note Extension Amounts due or overdue on the Class C Notes;</p> <p>(15) Note Extension Amounts due or overdue on the Class D Notes;</p> <p>(16) Note Extension Amounts due or overdue on the Class E Notes;</p> <p>(17) Liquidity Subordinated Amounts;</p> <p>(18) Either: (a) Swap Subordinated Amounts; or (b) following the occurrence of a Loan Event of Default, any Breakage Gain Amounts to the Borrowers;</p> <p>(19) Payment of any Senior Securitisation Take-Out Fee to the Arranger; and</p> <p>(20) Payment of any surplus amounts (the "Junior Securitisation Take-Out Fee") to the Arranger.</p>		<p>overdue to the Class C Notes;</p> <p>(12) Regular Interest and Deferred Interest and principal (and any related Exit Payment Amounts) due or overdue to the Class D Notes;</p> <p>(13) Regular Interest and Deferred Interest and principal (and any related Exit Payment Amounts) due or overdue to the Class E Notes;</p> <p>(14) Note Extension Amounts due or overdue on the Class A Notes;</p> <p>(15) Note Extension Amounts due or overdue on the Class B Notes;</p> <p>(16) Note Extension Amounts due or overdue on the Class C Notes;</p> <p>(17) Note Extension Amounts due or overdue on the Class D Notes;</p> <p>(18) Note Extension Amounts due or overdue on the Class E Notes;</p> <p>(19) Liquidity Subordinated Amounts;</p> <p>(20) Either: (a) Swap Subordinated Amounts; or (b) following the occurrence of a Loan Event of Default, any Breakage Gain Amounts to the Borrowers;</p> <p>(21) Payment of any Senior Securitisation Take-Out Fee to the Arranger; and</p> <p>(22) payment of the Junior Securitisation Take-Out Fee to</p>	<p>overdue to the Class E Notes;</p> <p>(11) Note Extension Amounts due or overdue on the Class A Notes;</p> <p>(12) Note Extension Amounts due or overdue on the Class B Notes;</p> <p>(13) Note Extension Amounts due or overdue on the Class C Notes;</p> <p>(14) Note Extension Amounts due or overdue on the Class D Notes;</p> <p>(15) Note Extension Amounts due or overdue on the Class E Notes;</p> <p>(16) Liquidity Subordinated Amounts;</p> <p>(17) Swap Subordinated Amounts;</p> <p>(18) Issuer Profit Amount;</p> <p>(19) Payment of any Senior Securitisation Take-Out Fee to the Arranger; and</p> <p>(20) payment of the Junior Securitisation Take-Out Fee to the Arranger.</p>
---	--	---	---

		the Arranger.	
--	--	---------------	--

**General
Credit
Structure**

The general credit structure of the transaction includes, broadly speaking, the following elements:

(a) *Credit Support:*

- junior Classes of Notes will be subordinated to more senior Classes of Notes, thereby ensuring that Revenue Receipts and Principal Receipts are applied to the Most Senior Class of Notes in priority to more junior Classes of Notes. See section entitled "*Terms and Conditions of the Notes*";

(b) *Liquidity Support:*

- availability of a committed Liquidity Facility provided by the Liquidity Facility Provider in an initial amount of €35,000,000 which may be used by the Issuer to cover amongst other things, payments of interest in respect of the Notes in certain situations subject to and in accordance with the terms of the Liquidity Facility Agreement. See section entitled "*The Liquidity Facility Agreement*";

For the avoidance of doubt, the Liquidity Facility will not be utilised to make any payments under the DACs.

(c) *Ancillary Support:*

- moneys on deposit in the Stand-by Account available to the Issuer Cash Manager, pursuant to the Cash Management Agreement, will be invested in Permitted Investments which are money market funds which have an "AAAmmf" long term rating (or its equivalent) by Fitch for their unguaranteed, unsecured and unsubordinated debt obligations or such lower short term or, as applicable, long term debt rating as is commensurate with the rating assigned to the Notes from time to time;
- moneys standing to the credit of the Extension Ledger shall be available to pay any shortfall in Further Note Extension Amounts on the Notes following application of Revenue Receipts under the relevant Priority of Payments, firstly, to Further Note Extension Amounts on the Class A Notes, secondly, to Further Note Extension Amounts on the Class B Notes, thirdly, to Further Note Extension Amounts on the Class C Notes, fourthly, to Further Note Extension Amounts on the Class D Notes and fifthly, to Further Note Extension Amounts on the Class E Notes;

**Summary of
Interest Rate
Swap
Transaction**

The Issuer will enter into an interest rate swap transaction with the Interest Rate Swap Counterparty under which the following payments will be made:

Issuer pays on each Note Payment Date: an amount determined by reference to the interest payment due to be received from the Borrowers under the Facility Agreement in respect of the relevant interest period in respect of the Fixed Rate Loan, plus a credit spread.

Interest Rate Swap Counterparty pays on each Note Payment Date: 3 month EURIBOR.

The Interest Rate Swap Agreement may be terminated in, *inter alia*, the following circumstances:

- a failure by the other party to pay any amounts due and payable in accordance with the terms of the Interest Rate Swap Agreement and any applicable grace period has expired;
- service by the Note Trustee of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Note Events of Default*);

- (c) irrevocable notice is given by the Issuer that a redemption of the Notes will occur pursuant to Condition 6(c) (*Optional Redemption for Tax Reasons or Other Reasons*) or Condition 6(d) (*Optional Redemption in full*);
- (d) upon a Bankruptcy Event of Default (as defined in the Interest Rate Swap Agreement) occurring with respect to the Interest Rate Swap Counterparty or certain insolvency events with respect to the Issuer (as set out in the Interest Rate Swap Agreement) or the merger of the relevant Interest Rate Swap Counterparty with another entity without an assumption by the entity created by such merger of the obligations of the relevant Interest Rate Swap Counterparty under the relevant Interest Rate Swap Agreement;
- (e) upon the occurrence of a Tax Event, Tax Event Upon Merger or an Illegality (as defined in the relevant Interest Rate Swap Agreement);
- (f) if the Interest Rate Swap Counterparty is downgraded and fails to comply with the requirements of the ratings downgrade provisions contained in the Interest Rate Swap Agreement;
- (g) if any of the Priorities of Payments are amended or any other amendment to any Transaction Document with a similar economic effect is made, without the consent of the Interest Rate Swap Counterparty, such that either (i) the Issuer's obligations to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement are further contractually subordinated to the Issuer's obligations to any other Issuer Secured Creditor than they are as at the date of the Interest Rate Swap Agreement, or (ii) the Interest Rate Swap Counterparty would receive less under the Interest Rate Swap Agreement than would otherwise have been the case; and
- (h) the Additional Tax Representation (as defined in the Interest Rate Swap Agreement) proves to have been incorrect or misleading in any material respect to one or more Transactions (as defined in the Interest Rate Swap Agreement) when made or repeated or deemed to have been made or repeated.

Please see "*The Swap Arrangements*" on page 161 for further details relating to the Interest Rate Swap Transaction.

TRIGGERS TABLES

Rating Triggers Table

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
Liquidity Provider	<p>Facility</p> <p>Long-term rating of the Liquidity Provider's unguaranteed, unsecured and unsubordinated debt obligations of at least "A" by Fitch and "A" by DBRS and a short-term rating of at least "F1" by Fitch (the "LF Required Ratings").</p> <p>Such lower debt rating as is commensurate with the rating assigned to the Notes from time to time as specifically provided in the Liquidity Facility Agreement and as summarised in more detail in "<i>The Liquidity Facility Agreement</i>".</p> <p>The consequences of the relevant required rating being breached are set out in more detail in "<i>The Liquidity Facility Agreement</i>".</p>	<ul style="list-style-type: none"> • Liquidity Standby Drawing • replacement of Liquidity Facility Provider • guarantee of Liquidity Facility Provider's obligations
Interest Rate Counterparty:	<p>Swap</p> <p><i>Fitch Ratings Requirements</i></p> <p>Provided that the Class A Notes are still rated AAAs by Fitch:</p> <p>(i) At least 'A' (or its equivalent) for its long term issuer default rating ("IDR") and 'F1' (or its equivalent) for its short term IDR by Fitch (the "Swap Counterparty Fitch Required Rating").</p> <p>(ii) At least "BBB-" (or its equivalent) for its long term IDR and "F3" (or its equivalent) for its short term IDR by Fitch (each a "Subsequent Fitch Rating Event").</p> <p><i>DBRS Ratings Requirements</i></p> <p>Provided that the Class A Notes are still rated AAASF by DBRS:</p> <p>(i) At least "A" (or its equivalent) by DBRS (an "Initial DBRS Rating Event").</p> <p>(ii) At least "BBB" (or its equivalent) by DBRS (a "Subsequent DBRS Rating Event").</p> <p>The consequences of the relevant required rating being breached are set out in more detail in "<i>The Swap Arrangements</i>".</p>	<ul style="list-style-type: none"> • collateral posting • guarantee of Interest Rate Swap Counterparty's obligations • replacement of Interest Rate Swap Counterparty
Issuer Account Bank:	<p>Transaction</p> <p>Short-term, unsecured, unguaranteed and unsubordinated debt obligations of at least "F1" by Fitch and a long-term issuer default rating of at least "A" by Fitch and</p>	<ul style="list-style-type: none"> • Replacement of Issuer Transaction Account Bank • Guarantee of Issuer

<u>Transaction Party</u>	<u>Required Ratings/Triggers</u>	<u>Possible effects of Trigger being breached include the following</u>
	"A" by DBRS.	Transaction Account Bank's obligations

The consequences of the relevant required rating being breached are set out in more detail in "*Bank Accounts and Cash Management*".

Non-Rating Triggers Table

<u>Nature of Trigger</u>	<u>Description of Trigger</u>	<u>Consequence of Trigger</u>
Servicer Termination Events	<p>(a) provided there are sufficient funds available, failure by the Servicer to remit any payment required to be made or remitted under the terms of the Servicing Agreement by 11:00 a.m., London time, on the first Business Day following the date on which such remittance was required to be made;</p> <p>(b) failure by the Servicer to observe or perform in any material respect any other of its covenants or agreements or the material breach of its representations or warranties under the Servicing Agreement, which failure will continue unremedied for a period of 30 days after the date on which written notice of such failure is given to the Servicer by the Issuer or the Issuer Security Trustee, provided, however, that the Servicer will have an additional cure period of 30 days to effect such cure so long as it has commenced to cure such failure within the initial 30-day period and has provided the Issuer and the Issuer Security Trustee with an officer's certificate certifying that it has diligently pursued, and is continuing to diligently pursue, such cure;</p> <p>(c) certain events of bankruptcy, insolvency, administration or similar proceedings and certain actions by, on behalf of or against the Servicer, as applicable, and such decree or order has remained in force undischarged or unstayed for a period of 60 days; provided, however, that, with respect to any such decree or order that cannot be discharged, dismissed or stayed within such 60 day period, the Servicer will have an additional period of 30 days to effect such discharge, dismissal or stay so long as it has commenced proceedings to have such decree or order dismissed, discharged or stayed within the initial 60 day period and has diligently pursued, and is continuing to pursue, such discharge, dismissal or stay;</p> <p>(d) it becomes unlawful for the Servicer to perform any material part of the services except in circumstances where no other person could perform such material part of the services lawfully; or</p> <p>(e) the Servicer paying any part of its remuneration under the Servicing Agreement to any Noteholder in connection with securing its appointment as such.</p>	Termination of appointment of Servicer.

Nature of Trigger	Description of Trigger	Consequence of Trigger
Special Servicer Termination Events	<p>(a) provided there are sufficient funds available, failure by the Special Servicer to remit any payment required to be made or remitted under the terms of the Servicing Agreement by 11:00 a.m., London time, on the first Business Day following the date on which such remittance was required to be made;</p> <p>(b) failure by the Special Servicer to observe or perform in any material respect any other of its covenants or agreements or the material breach of its representations or warranties under the Servicing Agreement, which failure will continue unremedied for a period of 30 days after the date on which written notice of such failure is given to the Special Servicer by the Issuer or the Issuer Security Trustee, provided, however, that the Special Servicer will have an additional cure period of 30 days to effect such cure so long as it has commenced to cure such failure within the initial 30-day period and has provided the Issuer and the Issuer Security Trustee with an officer's certificate certifying that it has diligently pursued, and is continuing to diligently pursue, such cure;</p> <p>(c) certain events of bankruptcy, insolvency, administration or similar proceedings and certain actions by, on behalf of or against the Special Servicer, as applicable, and such decree or order has remained in force undischarged or unstayed for a period of 60 days; provided, however, that, with respect to any such decree or order that cannot be discharged, dismissed or stayed within such 60 day period, the Special Servicer will have an additional period of 30 days to effect such discharge, dismissal or stay so long as it has commenced proceedings to have such decree or order dismissed, discharged or stayed within the initial 60 day period and has diligently pursued, and is continuing to pursue, such discharge, dismissal or stay;</p> <p>(d) it becomes unlawful for the Special Servicer to perform any material part of the services except in circumstances where no other person could perform such material part of the services lawfully;</p> <p>(e) the Special Servicer paying any part of its remuneration under the Servicing Agreement to any Noteholder in connection with securing its appointment as such; or</p> <p>(f) the exercising of the right of the Operating Advisor appointed by the Controlling Class</p>	Termination of appointment of Special Servicer.

Nature of Trigger	Description of Trigger	Consequence of Trigger
Issuer Cash Manager Termination Events	requiring the Issuer to terminate the appointment of and replace the person then acting as the Special Servicer.	Termination of appointment of Issuer Cash Manager.
	(g) provided there are sufficient funds available, a failure by the Issuer Cash Manager to make when due a payment required to be made by the Issuer Cash Manager in accordance with the Cash Management Agreement;	
	(h) a failure by the Issuer Cash Manager to maintain all appropriate licences, consents, approvals and authorisations required to perform its obligations under the Cash Management Agreement;	
	(i) a material default by the Issuer Cash Manager in the performance of any of its other duties under the Cash Management Agreement which continues unremedied for ten Business Days; or	
	(j) a petition is presented or an effective resolution passed or any order is made by a competent court for the winding up (including, without limitation, the filing of documents with the court or the service of a notice of intention to appoint an administrator) or dissolution (other than in connection with a reorganisation, the terms of which have previously been approved in writing by the Issuer Security Trustee or by Extraordinary Resolutions of each Class of Noteholders and where the Issuer Cash Manager is solvent) of the Issuer Cash Manager or the appointment of an administrator or similar official in respect of the Issuer Cash Manager.	

FEES

The following table sets out the on-going fees to be paid by the Issuer to the transaction parties.

<u>Type of Fee</u>	<u>Amount of Fee</u>	<u>Priority in Cashflow</u>	<u>Frequency</u>
Servicing fees	0.0175 per cent. per annum of the outstanding principal balance of each Loan (exclusive of VAT, if applicable)	Ahead of all outstanding Notes and DACs	Quarterly
Special Servicing fees	0.1 per cent. per annum of the outstanding principal balance of each Loan (exclusive of VAT, if applicable)	Ahead of all outstanding Notes and DACs	Quarterly
Facility Agent fees	0.0125 per cent. per annum of the Commitment (as defined in the Facility Agreement) less €60,000 (such amount not to be less than zero) (exclusive of VAT, if applicable)	Ahead of all outstanding Notes and DACs	Quarterly
Workout Fee	0.75 per cent. of each collection of interest and principal received in respect of the relevant Loan for so long as it remains a Corrected Loan (exclusive of VAT, if applicable)	Ahead of all outstanding Notes and DACs	Quarterly
Liquidation Fee	0.75 per cent. of the proceeds of sale, net of costs and expenses of sale, if any, arising from the sale of the Loans or any Borrower or any part of the Properties (exclusive of VAT, if applicable)	Ahead of all outstanding Notes and DACs	Quarterly
Liquidity Provider fees	Facility 1 per cent. per annum on the undrawn, uncanceled amount of the Liquidity Commitment (exclusive of VAT, if applicable)	Ahead of all outstanding Notes and DACs	Quarterly
Other fees and expenses of the Issuer	Estimated at €100,000 each year (exclusive of VAT, if applicable)	Ahead of all outstanding Notes and DACs	Annually

RISK FACTORS

An investment in the Notes and/or the DACs involves a high degree of risk. The following sets out the principal risks associated with an investment in the Notes and the DACs. These risk factors are material to an investment in the Notes and the DACs and in the Issuer. Prospective Noteholders and DACs holders should carefully read and consider all the information contained in this Prospectus, including the risk factors set out in this section, prior to making any investment decision.

The occurrence of any of the events described below could have a material adverse impact on the business, financial condition or results of operations of the Issuer and/or the Obligors and could lead to, among other things:

- (a) a Loan Event of Default;
- (b) a Sequential Payment Trigger; or
- (c) a Note Event of Default.

The risks described below are not the only ones faced by the Issuer or the Obligors. Additional risks not presently known to the Issuer or the Obligors or that they currently believe to be immaterial may also adversely affect their business. If any of the following risks occurs, the Issuer, the Obligors and/or the Properties could be materially adversely affected. In any of such cases, the value of the Notes or the DACs could decline, and the Issuer may not be able to pay all or part of the interest or principal on the Notes or payments on the DACs and investors may lose all or part of their investment.

Prospective Noteholders and DACs holders should take their own legal, financial, accounting, tax and other relevant advice as to the structure and viability of an investment in the Notes or the DACs.

In addition, whilst the various structural elements described in this Prospectus are intended to mitigate some of the risks discussed below for the Noteholders and the DACs holders, there can be no assurance that these measures will be sufficient to ensure that the DACs holders and Noteholders of any Class receive payment on the DACs or of interest or repayment of principal on the Notes from the Issuer on a timely basis or at all.

Considerations relating to the Notes and the DACs

Notes and DACs are the obligations of the Issuer only

The Notes and the DACs will be obligations solely of the Issuer and will not be the responsibility of, or guaranteed by, any other person and no person other than the Issuer will accept any liability whatsoever to Noteholders or DACs holders, as applicable, in respect of any failure by the Issuer to make any payment of any amount due on the Notes or the DACs, as applicable.

Limited resources available to the Issuer

The Issuer's ability to make payments of principal and interest on the Notes and payments on the DACs and to pay its operating and administrative expenses will be funded primarily from payments of principal and interest on the Loans and, where necessary and applicable, the Liquidity Facility Agreement (with respect to the Notes) and the Interest Rate Swap Agreement.

Limited Recourse

The only assets of the Issuer available to meet the claims of, amongst others, the Noteholders and the DACs holders will be the assets subject to the Issuer Security. If, following the occurrence of a Loan Event of Default and following the exercise by the Servicer or the Special Servicer of all available rights and remedies in respect of the Loans and any Transaction Security under the Borrower Security Documents, the Issuer and/or the Issuer Security Trustee does not receive the full amount due from the Obligors, then it will not be possible to pay some or all of the principal and interest due on the Notes and/or, as applicable, payments on the DACs.

Any claim (other than those for which a provision has been made in accordance with the applicable Priority of Payments) remaining unsatisfied after the realisation of the Issuer Security and the application

of the proceeds thereof in accordance with the applicable Priority of Payments shall be extinguished and the Noteholders and, as applicable, the DACs holders shall have no rights in respect of any such claims.

Accordingly, enforcement of the Issuer Security is the only substantive remedy available for the purpose of recovering amounts owed in respect of the Notes and the DACs and such enforcement may be subject to certain conditions pursuant to the Issuer Security Documents, including a requirement that the Issuer Security Trustee be indemnified and/or secured and/or prefunded to its satisfaction. If the Issuer Security created pursuant to the terms of the Issuer Security Documents is enforced, the proceeds of enforcement may be insufficient to pay all principal and interest and/or other amounts due on the Notes and/or any amounts due on the DACs.

Credit Risk

The Issuer is subject to the risk of default in payment by the Obligors and the failure by the Servicer, the Special Servicer and the Issuer Security Trustee on behalf of the Issuer Secured Parties, to realise or recover sufficient funds in respect of the Loans and Transaction Security in order to discharge all amounts due and owing by the relevant Obligors under the Loans.

The ability of the Obligors to make payments on the Loans on any Loan Interest Payment Date or Repayment Date and, therefore, the ability of the Issuer to make payments on the Notes and/or the DACs is dependent primarily on the sufficiency of the net operating income of the Properties.

Any losses on the Loans or the Interest Rate Swap Agreement will be allocated to the holders of the Notes and the DACs, as described under "*Subordination*" below.

The rate and timing of delinquencies or defaults on the Loans will affect the aggregate amount payable on the DACs and the aggregate amount of distributions on the Notes, their yield to maturity, the rate of principal payments and their weighted average life. The risk is mitigated to some extent (except in the case of the Class E Notes) by the credit support provided through the subordination of another Class of Notes. However, no assurance can be made as to the effectiveness of such credit enhancement features, or that any of them will fully off-set the effects of any such delinquency or default or that such credit enhancement features will protect the Noteholders and, as applicable, DACs holders from all risk of loss.

If anticipated yields are calculated based on assumed rates of default and losses that are lower than the default rate and losses actually experienced and such losses are allocable to the Notes, the actual yield to maturity will be lower than the assumed yield. Under certain extreme scenarios, such yield could be negative. In general, the earlier a loss borne by the Notes occurs, the greater the effect on the related yield to maturity.

Liquidity Risk

The Issuer is subject to the risk of insufficiency of funds on any Note Payment Date as a result of payments being made late by Obligors. Additionally, delinquencies and defaults on the Loans may significantly delay the receipt of payments on the Notes. While the Issuer (subject to the provisions of the Liquidity Facility Agreement) will have access to the Liquidity Facility to cover (to the extent funds are available) shortfalls in respect of interest payable on the Notes and the DACs due to a shortfall under a Loan, the Liquidity Facility is limited and, therefore, no assurance can be made that the resources available to the Issuer will, in all cases and in all circumstances, be sufficient to cover any shortfall of interest on the Notes and that a Note Event of Default will not in fact occur as a result of the late payment of rent.

Subordination

Payments of interest and principal will be made to Noteholders in the priorities set forth in the applicable Priority of Payments. As a result of such priorities, any losses on the Loans will be borne first, by the Class E Notes, second, by the Class D Notes, third, by the Class C Notes, fourth, by the Class B Notes and fifth, by the Class A Notes.

Prior to a Loan Repayment Failure Event or the delivery of a Note Acceleration Notice, payments of Regular Interest, Exit Payment Amounts and payments of DACs Payment Amounts, DACs LPI Amounts and DAC Exit Payment Amounts when due will be made in priority first, *pro rata* and *pari passu* to the Class A Noteholders and the holders of the DACs, as applicable, second, to the Class B Noteholders

third, to the Class C Noteholders, fourth, to the Class D Noteholders and fifth, to the Class E Noteholders. Upon payment of Regular Interest, Exit Payment Amounts and payments of DACs Payment Amounts, DACs LPI Amounts and DAC Exit Payment Amounts when due, payments of Note Extension Amounts when due will be made in priority first to the Class A Noteholders second, to the Class B Noteholders third, to the Class C Noteholders, fourth, to the Class D Noteholders and fifth, to the Class E Noteholders.

Prior to a Loan Repayment Failure Event, the delivery of a Note Acceleration Notice or a Sequential Payment Trigger, payments of principal will be made *pro rata* and *pari passu* on the Notes.

Prior to a Loan Repayment Failure Event and the delivery of a Note Acceleration Notice, but upon the occurrence of a Sequential Payment Trigger, payments of principal on the Class A Notes will be made in priority to the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. For the avoidance of doubt, following the occurrence of a Sequential Payment Trigger, payments of principal cannot revert to being made *pro rata* and *pari passu*.

Upon the occurrence of a Loan Repayment Failure Event, payments of Regular Interest, Exit Payment Amounts and payments of DACs Payment Amounts, DACs LPI Amounts and DAC Exit Payment Amounts when due will be made in priority first, *pro rata* and *pari passu*, to the Class A Noteholders and the holders of the DACs, as applicable, and second, to the Class B Noteholders. Upon payment of Regular Interest, Exit Payment Amounts and payments of DACs Payment Amounts, DACs LPI Amounts and DAC Exit Payment Amounts to the Class A Noteholders, and the DACs holders, as applicable, and the Class B Noteholders, payments of principal, in respect of the Class A Noteholders and the Class B Noteholders only, and payments of Regular Interest, Exit Payment Amounts, payments of DACs Payment Amounts, DACs LPI Amounts and DAC Exit Payment Amounts to the DACs holders and principal in respect of all other Noteholders, will be made in priority first, *pro rata* and *pari passu* to the Class A Noteholders and the DACs holders, as applicable, second, to the Class B Noteholders third, to the Class C Noteholders, fourth, to the Class D Noteholders and fifth, to the Class E Noteholders. Upon payment of Regular Interest, Exit Payment Amounts, payments of DACs Payment Amounts, DACs LPI Amounts and DAC Exit Payment Amounts to the DACs holders and principal when due, payments of Note Extension Amounts when due will be made in priority first to the Class A Noteholders, second, to the Class B Noteholders third, to the Class C Noteholders, fourth, to the Class D Noteholders and fifth, to the Class E Noteholders.

Upon the delivery of a Note Acceleration Notice, payments of interest and principal when due will be made in priority first to the Class A Noteholders, second, to the Class B Noteholders third, to the Class C Noteholders, fourth, to the Class D Noteholders and fifth, to the Class E Noteholders.

Certain amounts payable by the Issuer to third parties such as the Servicer, the Special Servicer, the Issuer Cash Manager, the Issuer Account Bank, the Agents, the Note Trustee, the Issuer Security Trustee, the Liquidity Facility Provider and the Interest Rate Swap Counterparty rank in priority to, or *pari passu* with, payments of principal and interest on the Notes, both before and after an enforcement of the Issuer Security.

As a result of this subordination structure and other risks, under certain circumstances investors in one or more Classes of Notes may not recover their initial investment.

Deferred Arrangement Fee Certificates

It should be noted that following the Note Payment Date falling on the DAC Final Payment Date, no further amounts will be payable on the DACs. The payment entitlement of the DACs will be contingent upon the Class A Notes remaining outstanding. The Class A Notes will be redeemed from Principal Receipts allowed to such Class in accordance with the applicable Priority of Payments (as described in Condition 6 (*Redemption and Cancellation*)). A high rate of repayment, prepayments or receipt of Principal Receipts in respect of the Loans is likely to cause the Class A Notes to be redeemed quickly and will therefore reduce the value of the DACs.

The DACs will have no voting rights. The Note Trustee will be obliged to have regard to the interests of the Noteholders and the DACs holders when exercising any of its powers, duties, rights, discretions and authorities, save that (other than as stated below), where the Note Trustee is of the opinion that there is or may be a conflict between the interests of the Noteholders and the DACs holders, the Note Trustee will only be obliged to have regard to the interests of the Noteholders. However, at no time shall the Issuer

and/or the Note Trustee be permitted to amend the DACs Conditions or alter the position of the DACs in the relevant Priorities of Payment.

The DACs will not benefit from drawings under the Liquidity Facility.

Interest Rate and Basis Risks

The Issuer is subject to:

- (a) the risk of the contractual interest rates on the Fixed Rate Loan being lower than that required by the Issuer in order to meet its commitments under the Notes and its other obligations, which risk is mitigated but not obviated by the Interest Rate Swap Transaction; and
- (b) the risk of default in payment of interest under the Floating Rate Loan, which will not be hedged by the Issuer.

Such circumstances may result in the failure of the Issuer to make payments on the Notes.

Risks Relating to the Interest Rate Swap Agreement

The Issuer will enter into an Interest Rate Swap Transaction on the Closing Date to hedge risk existing by virtue of the differences between the fixed rate interest payable by the Borrowers under the Fixed Rate Loan and the floating rate of interest payable in respect of the corresponding amount of the Notes (the "**Interest Rate Mismatch**"). Pursuant to the Interest Rate Swap Agreement, the Issuer will receive on a quarterly basis, three month EURIBOR as accrued on a notional balance set to reflect the expected aggregate principal amount outstanding of the Fixed Rate Loan.

The obligations of the Issuer and the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement to pay any amount due and payable to the other party if the Interest Rate Swap Transaction is terminated in whole or in part prior to its scheduled termination date (a "**Swap Termination Payment**"), but excluding any Swap Subordinated Amounts, shall (to the extent that: (i) such Swap Termination Payment is payable by the Issuer to the Interest Rate Swap Counterparty; and (ii) such Swap Termination Payment is not paid from amounts standing to the credit of the Swap Collateral Cash Account or otherwise outside the Pre-Enforcement Revenue Priority of Payments) rank in priority to payments of interest due or overdue in respect of the Class A Notes (other than with respect to Swap Subordinated Amounts which shall rank junior to the payment obligations of the Issuer in respect of the Notes).

Any Swap Termination Payment payable by the Issuer in the event that there is an early redemption or cancellation of the Class A Notes (whether in full or in part) is limited to an amount equal to the mid-market value, accounting for the Interest Rate Swap Counterparty's appropriate funding cost, plus a maximum transaction cost of 1 basis point per annum, applied on the weighted average of the terminated portion of the Notional Amount (as defined in the Interest Rate Swap Agreement) for the period from (and including) the date of early termination to (and including) the Scheduled Termination Date (as defined in the Interest Rate Swap Agreement). However, if, at any time a Swap Termination Payment becomes payable by the Issuer, there can be no assurance that the Issuer will have sufficient funds available to make any Swap Termination Payment under the Interest Rate Swap Agreement or that the Issuer will have sufficient funds to make subsequent payments to the Noteholders.

The Fixed Rate Loan is to be repaid on the basis of a scheduled amortisation and as such, the notional amount under the Interest Rate Swap Transaction has been set to reduce in step with such scheduled amortisation. The Interest Rate Swap Agreement contains provisions whereby the notional amounts of the Interest Rate Swap Transaction will be reduced to the extent it exceeds the aggregate principal amount outstanding of the Fixed Rate Loan at any time as described below. Notwithstanding these provisions however, there can be no assurance that the notional amount of the Interest Rate Swap Transaction will match the principal amount of the Fixed Rate Loan (where, for example, scheduled amortisation payments are not made or unscheduled payments of principal are made, on the Fixed Rate Loan).

If the Fixed Rate Loan is prepaid in an amount that would cause the notional balance of the Interest Rate Swap Transaction to exceed the aggregate principal amount outstanding of the Fixed Rate Loan, the Interest Rate Swap Agreement requires the partial termination of the Interest Rate Swap Transaction to reduce the notional amount thereof to equal the aggregate outstanding principal balance of the Fixed Rate Loan. The Borrowers will, in accordance with the terms of the Facility Agreement, indemnify the Issuer

against any cost, claim, loss, expense or liability incurred by it as a result of such a partial termination. There can be no assurance however that the Borrowers will have sufficient assets to pay the Issuer for any such costs, in which case the shortfall will be funded from amounts which might otherwise be used to pay the Noteholders.

While the Issuer is obliged to use its reasonable endeavours to procure that there is at all times an Interest Rate Swap Agreement in respect of the Fixed Rate Loan and shall be obliged to enter into any hedging arrangements in respect of the Notes that are necessary or desirable to mitigate the Interest Rate Mismatch (where the Issuer has directed the Servicer to recommend a proposal in relation to such hedging arrangements (which may be delegated by the Servicer to a financial adviser)), the notional amount of the Interest Rate Swap Transaction may be less than the aggregate principal amount outstanding under the Fixed Rate Loan. If this occurs and further hedging arrangements are not entered into with respect to such unhedged amount, the Issuer will be exposed to interest rate risk with respect to such amount with the result that it may not have sufficient amounts available to pay any amounts due in respect of the Notes or the DACs.

Under the terms of the Interest Rate Swap Agreement, if the Issuer fails to make payments of any amounts due and payable to the Interest Rate Swap Counterparty, the Interest Rate Swap Counterparty will be entitled to terminate the Interest Rate Swap Agreement or to cease making payments to the Issuer in respect of the Interest Rate Swap Transaction. There are certain additional circumstances in which the Interest Rate Swap Transaction may be terminated, such as a termination event or event of default in respect of either the Issuer or the Interest Rate Swap Counterparty or, following a downgrade of the rating of the Interest Rate Swap Counterparty, the Interest Rate Swap Counterparty fails to take the remedial measures stipulated in the Interest Rate Swap Agreement within the required time frame. Noteholders and/or DACs holders may suffer a loss if the interest rate risk to which the Issuer is exposed with respect to its payment obligations under the Notes or the DACs, as applicable, is not hedged following any such termination.

If the Interest Rate Swap Counterparty is not obliged to make payments, or defaults in its obligations to make payments to the Issuer on a payment date under the Interest Rate Swap Transaction, the Issuer will be exposed to an Interest Rate Mismatch. Although the Issuer will be entitled to terminate the Interest Rate Swap Transaction, if the Interest Rate Swap Counterparty fails to comply with its obligations thereunder, there can be no assurance that the Issuer will have sufficient funds available to make any Swap Termination Payments, nor can there be any assurance that the Issuer will be able to enter into a replacement Interest Rate Swap Transaction. This could result in reduced payments to the Noteholders and the DACs holders.

In the event of the insolvency of the Interest Rate Swap Counterparty the Issuer will be treated as an unsecured creditor of such Interest Rate Swap Counterparty. To mitigate this risk, under the terms of the Interest Rate Swap Agreement, in the event that the Interest Rate Swap Counterparty fails to meet the required rating set out in the Interest Rate Swap Agreement, the Interest Rate Swap Counterparty will, in accordance with the terms of the Interest Rate Swap Agreement, be required to take certain remedial measures within the time frame stipulated in the Interest Rate Swap Agreement and at its own cost which may include providing collateral for its obligations under the Interest Rate Swap Agreement, arranging for its obligations under the Interest Rate Swap Agreement to be transferred to an entity with the required rating, procuring another entity with the required rating to become co-obligor or guarantor, as applicable, in respect of its obligations under the Interest Rate Swap Agreement or such other action or inaction that would result in the Rating Agency continuing the then current ratings of the Class A Notes or the DACs or restoring such ratings of the Class A Notes or the DACs to the level prior to the downgrade event if such rating of the Class A Notes or the DACs was reduced solely as a result of the downgrade. However, no assurance can be given that, at the time that such actions are required, sufficient collateral will be available to the Interest Rate Swap Counterparty or that another entity with the required rating will be available or willing to become a replacement swap provider, co-obligor or guarantor.

For a more detailed description of the Interest Rate Swap Agreement and the Interest Rate Swap Transaction, see "*The Swap Arrangements*" below.

Priority of Payments

The validity of contractual Priorities of Payment such as those contemplated in this transaction has been challenged in the English and U.S. courts. The hearings have arisen due to the insolvency of a secured

creditor (in that case a swap provider) and have considered whether such payment priorities breach the "anti deprivation" principle under English and U.S. insolvency law. This principle prevents a party from agreeing to a provision that deprives its creditors of an asset upon its insolvency. It was argued that where a secured creditor subordinates itself to noteholders in the event of its insolvency, that secured creditor effectively deprives its own creditors. The Supreme Court of the United Kingdom in *Belmont Park Investments PTY Limited (Respondent) v BNY Corporate Trustee Services Limited and Lehman Brothers Special Financing Inc* [2011] UKSC 38 unanimously upheld the decision of the Court of Appeal in dismissing this argument and upholding the validity of the relevant payments priorities, stating that, provided that such provisions form part of a commercial transaction entered into in good faith which does not have, as its predominant purpose or one of its main purposes, the deprivation of the property of one of the parties on bankruptcy, the anti deprivation principle was not breached by such provisions.

In parallel proceedings in New York, Judge Peck of the U.S. Bankruptcy Court for the Southern District of New York granted Lehman Brothers Special Finance Inc.'s ("**LBSF**") motion for summary judgement on the basis that the effect was that the provisions infringed the anti deprivation principle in a U.S. insolvency. Judge Peck acknowledged that this resulted in the U.S. courts coming to a decision "directly at odds with the judgement of the English Courts". In New York, whilst leave to appeal was granted, the case was settled before an appeal was heard. Therefore concerns still remain that the English and U.S. courts will diverge from each other in their approach which, in the case of an unfavourable decision in New York, may adversely affect the Issuer's ability to make payments on the Notes. There remains the issue whether in respect of foreign insolvency proceedings relating to a creditor located in a foreign jurisdiction, an English court will exercise its discretion to recognise the effects of the foreign insolvency proceedings, whether under the Cross Border Insolvency Regulations 2006 or any similar common law principles. Given the current state of U.S. law, this is likely to be an area of continued judicial focus in respect of multi jurisdictional insolvencies.

It should be noted that on 8 February 2012, Belmont Park Investments PTY Limited and others, commenced proceedings in the U.S. Bankruptcy Court in relation to Lehman Brothers Special Financing Inc. seeking an order recognising and enforcing the English judgment on noteholder priority. Declaratory relief, that the noteholder priority is valid and that the collateral can be distributed accordingly and without liability to the trustee, is also being sought. Those proceedings remain pending and are subject to a request to be transferred to the District Court. This is an aspect of cross border insolvency law which remains untested. So, whilst the priority issue is considered largely resolved in England and Wales, concerns still remain where the English and U.S. courts have hitherto diverged and may continue to diverge in their approach. The divergence in approach will be at the heart of the pending proceedings. In this regard it should be noted that the approach of the U.S. Bankruptcy Court may adversely affect the Issuer's ability to make payments on the Notes or the DACs in accordance with the Issuer Transaction Documents.

If such a claim by the Interest Rate Swap Counterparty were to be successful, payments to a defaulting Interest Rate Swap Counterparty may be made in priority to payments on the Notes or the DACs.

Availability of Liquidity Facility

Pursuant to the terms of the Liquidity Facility Agreement, the Issuer (or the Issuer Cash Manager on its behalf) will make and apply the drawings under the Liquidity Facility Agreement to meet any of the following shortfalls in the funds available to it as determined from time to time by the Servicer or the Special Servicer (if a Loan is a Specially Serviced Loan): (a) an Expenses and Interest Shortfall or (b) a Property Protection Shortfall, each as more fully described in the section "*The Liquidity Facility Agreement*". The amount available to be drawn under the Liquidity Facility on any Note Payment Date may be less than the Issuer would have received had full and timely payments been made in respect of all amounts owing to the Issuer during the related Collection Period. In addition, the Issuer is exposed to the risk of the Liquidity Facility Provider becoming insolvent. In such circumstances, insufficient funds may be available to the Issuer to pay in full interest due on the Notes. The DACs will not have the benefit of drawings under the Liquidity Facility.

The amount available for drawdown under the Liquidity Facility as of the Closing Date is €35,000,000 and thereafter will decrease as the Principal Amount Outstanding of the Notes decreases and will also decrease after the occurrence of a Loan Event of Default, taking into account the then most recent valuation in respect of the Portfolio, as set out under "*The Liquidity Facility Agreement*" below.

Rights Available to Holders of Notes of Different Classes

The Note Trust Deed will provide that, except where expressly provided otherwise, where the Note Trustee is required to have regard to the interests of the Noteholders, the Note Trustee shall have regard to the interests of the Noteholders as a Class provided that the Note Trustee shall have regard (a) for so long as there are any Class A Notes outstanding, only to the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders or the Class E Noteholders, (b) if there are no Class A Notes outstanding, for so long as there are any Class B Notes outstanding, only to the interests of the Class B Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class B Noteholders and the Class C Noteholders, the Class D Noteholders or the Class E Noteholders, (c) if there are no Class B Notes outstanding, for so long as there are any Class C Notes outstanding, only to the interests of the Class C Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class C Noteholders, the Class D Noteholders or the Class E Noteholders, (d) if there are no Class C Notes outstanding, for so long as there are any Class D Notes outstanding, only to the interests of the Class D Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class D Noteholders and the Class E Noteholders and (e) if there are no Class D Notes outstanding, to the interests of the Class E Noteholders. As a result, more junior Noteholders may not have their interests taken into account by the Note Trustee when the Note Trustee is exercising its discretion.

The DACs will have no voting rights. The Note Trustee will be obliged to have regard to the interests of the Noteholders and the DACs holders when exercising any of its powers, duties, rights, discretions and authorities, save that (other than as stated below), where the Note Trustee is of the opinion that there is or may be a conflict between the interests of the Noteholders and the DACs holders, the Note Trustee will only be obliged to have regard to the interests of the Noteholders. However, at no time shall the Issuer and/or the Note Trustee be permitted to amend the DACs Conditions or alter the position of the DACs in the relevant Priorities of Payment.

Except where expressly provided otherwise, the Issuer Security Trustee is not bound to take any action under or in connection with any of the Issuer Transaction Documents, including, without limitation, enforcing the Issuer Security, unless directed to do so by the Note Trustee or, if there are no Notes outstanding, all of the other Issuer Secured Creditors, and provided that the Issuer Security Trustee has been indemnified and/or secured and/or prefunded to its satisfaction.

Yield and Prepayment Considerations

The yield to maturity of the Notes of each Class will depend on, among other things, the amount and timing of payment of principal and interest (including prepayments and sale proceeds arising on enforcement of a Loan and the obligation for the payment of Prepayment Fees and Extension Fees on the Loans) on the Loans and the price paid by the holders of the Notes of each Class. Such yield may be adversely affected by, amongst other things, a higher or lower than anticipated rate of prepayments on the Loans combined with, at such time, no requirement under the Loans to pay a Prepayment Fee.

The yield to maturity on the Notes will depend, to a large extent, upon the rate and timing of principal payments on the Loans. For this purpose, principal prepayments include both voluntary prepayments, if permitted, and mandatory prepayments, such as prepayments resulting from defaults and liquidations. No assurance can be given as to the level of prepayment that the Loans will experience. If prepayments occur in circumstances where the Loans do not provide for Prepayment Fees then the actual yields on the Notes may be lower than anticipated.

In addition, on the Payment Date on which the aggregate Principal Amount Outstanding of all the Notes is or becomes less than 10 per cent. of the aggregate Principal Amount Outstanding of all such Notes on the Closing Date, the Issuer may, subject to the Conditions, redeem all of the Notes. In addition, the Issuer may, subject to the Conditions, redeem all of the Notes if a change in tax law results in the Issuer being required to make a deduction or withholding for or on account of tax. This may adversely affect the yield to maturity on the Notes.

The investment performance of any Note may vary materially and adversely from expectations due to the rate of payments and other collections of principal on the Loans being faster or slower than anticipated.

Accordingly, the actual yield may not be equal to the yield anticipated at the time the Note was purchased, and the expected total return on investment may not be realised.

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

Payments on the DACs will be made only for so long as the Class A Notes remain outstanding and, therefore, the aggregate amount of payments received on the DACs will be sensitive to the rate of prepayment of the Class A Notes.

Ratings of the Notes and the DACs

The ratings assigned to the Notes and the DACs by the Rating Agencies are based on the Loans subject to the Transaction Security and the Properties and other relevant structural features of the transaction, including, among other things, the short-term and the long term unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Facility Provider, the Issuer Account Bank, the Interest Rate Swap Counterparty and reflect only the views of the Rating Agencies. A rating does not represent any assessment of the yield to maturity that a Noteholder may experience or the possibility that holders of the Notes may not recover their initial investments if unscheduled receipts of principal result from a prepayment, a default and acceleration or from the receipt of funds with respect to a compulsory purchase. The ratings address the likelihood of timely payment of Regular Interest of the Notes on each Note Payment Date and the ultimate repayment of principal on the Final Maturity Date in respect of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes. The ratings of the DACs address the likelihood of timely payments of DACs Payment Amounts. The ratings assigned to the Notes do not address the likelihood of receipt of any Note Extension Amounts. There can be no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any or all of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgment of the Rating Agencies, circumstances so warrant. A downgrade, withdrawal or qualification of any of the ratings of the parties mentioned above may impact upon the ratings of the Notes or the DACs.

Future events also, including but not limited to events affecting the Liquidity Facility Provider and/or circumstances relating to the Properties and/or the property market generally, could have an adverse impact on the rating of the Notes or the DACs. 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. Furthermore, there can be no assurance that the Rating Agencies will take the same view as each other, which may affect the Borrowers' ability to adapt the structure of the transaction to changes in the market over the long term.

Credit rating agencies review their rating methodologies on an ongoing basis and there is a risk that changes to such methodologies will adversely affect credit ratings of the Notes or the DACs even where there has been no deterioration in respect of the criteria which were taken into account when such ratings were issued.

Credit rating agencies other than the Rating Agencies could seek to rate the Notes and/or the DACs and without having been requested to do so by the Issuer. If such "unsolicited ratings" are lower than the comparable ratings assigned to the Notes or the DACs, as applicable, by the Rating Agencies, those unsolicited ratings could have an adverse effect on the value of the Notes or the DACs, as applicable. For the avoidance of doubt and unless the context otherwise requires, any references to "ratings" or "rating" in this Prospectus are to ratings assigned by the specified Rating Agencies only.

Ratings confirmation in relation to the Notes in respect of certain actions

The terms of certain Transaction Documents require the Rating Agencies to confirm that certain actions proposed to be taken by the Issuer and the Note Trustee will not have an adverse effect on the then current rating of the Notes (a "**Ratings Confirmation**").

A Ratings Confirmation that any action proposed to be taken by the Issuer or the Note Trustee will not have an adverse effect on the then current rating of the Notes does not, for example, confirm that such action (i) is permitted by the terms of the Issuer Transaction Documents or (ii) is in the best interests of, or not prejudicial to, the Noteholders. While each of the Issuer Secured Creditors (including the

Noteholders), the Issuer or the Note Trustee (as applicable) are entitled to have regard to the fact that the Rating Agencies have confirmed that the then current rating of the relevant Class (or sub-Class) of Notes would not be adversely affected, a Ratings Confirmation does not impose or extend any actual or contingent liability on the Rating Agencies to the Issuer Secured Creditors (including the Noteholders), the Issuer, the Note Trustee, the Issuer Security Trustee or any other person or create any legal relationship between the Rating Agencies and the Issuer Secured Creditors (including the Noteholders), the Issuer, the Note Trustee, the Issuer Security Trustee or any other person whether by way of contract or otherwise.

Any such Ratings Confirmation may or may not be given at the sole discretion of each Rating Agency. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that a Rating Agency cannot provide a Ratings Confirmation in the time available or at all, and the Rating Agency should not be responsible for the consequences thereof. A Ratings Confirmation, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the securities form part since the Closing Date. A Ratings Confirmation represents only a restatement of the opinions given as at the Closing Date and cannot be construed as advice for the benefit of any parties to the transaction.

The Rating Agencies have indicated that they will no longer provide Ratings Confirmations as a matter of policy. To the extent that a Ratings Confirmation cannot be obtained, whether or not a proposed action will ultimately take place will be determined in accordance with the provisions of the relevant Transaction Documents and specifically the relevant modification and waiver provisions.

As a result, if action is not taken due to the absence of a Ratings Confirmation it could result in the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes being downgraded by one or more Rating Agencies.

Absence of Secondary Market; Limited Liquidity

There can be no assurance that a secondary market in the Notes or the DACs will develop or, if it does develop, that it will provide Noteholders or DACs holders with liquidity of investment or that it will continue for the life of the Notes or the DACs. As at the date of this Prospectus, the secondary market for mortgage backed securities such as the Notes and the DACs is experiencing disruption resulting from reduced investor demand for such securities. This has had a material adverse impact on the market value of mortgage backed securities and resulted in the secondary market for mortgage backed securities experiencing limited liquidity. There is a risk that the Noteholders and the DACs holders, as applicable, will find it harder to sell their Notes or DACs in the secondary market and the possibility that, on or after the Closing Date, the price at which Notes or DACs can be sold by the Noteholders or DACs holders, as applicable, will have deteriorated from their effective purchase price.

Limited liquidity in the secondary market may continue to have an adverse effect on the market value of mortgage-backed securities, especially those securities that are more sensitive to prepayment, credit or interest rate risk and those securities that have been structured to meet the requirements of limited categories of investors. Consequently, any purchaser of the Notes or the DACs must be prepared to hold such Notes or DACs for an indefinite period of time or until final redemption or maturity of the Notes or DACs or alternatively such purchaser may only be able to sell the Notes or DACs at a discount to the original purchase price of those Notes or DACs, as applicable.

Historical Financial Information included in this Prospectus has not been audited and may not be indicative of future results of operations of the WOBA Group

The unaudited summary historical financial information of the Borrowers included in this Prospectus has been prepared by the WOBA Group for internal reporting and strategy purposes. It has not been audited or reviewed and, consequently, no audit or review report has been issued for such periods.

Accordingly, the unaudited summary historical financial information is provided for illustrative purposes only and may not present what the Borrowers' results of operations would have actually been had audited financial statements of the Borrowers been prepared for the periods presented in accordance with German GAAP or IFRS (as may be applicable). In addition, the unaudited summary historical financial

information should not be construed to be or relied upon as being indicative of the future operating results or financial position of the Borrowers.

There may be variations between the Borrowers' future operating results and the unaudited summary historical financial information and such variations may be material and be caused by various factors. For example, various profit and loss transfer agreements are in place between the Obligor and certain other group companies (e.g. between WOBA DRESDEN GmbH and WOBA Holding GmbH and between WOBA DRESDEN GmbH and Immo Service Dresden GmbH, who provides certain property related services to the Obligor group) and a termination of these intra-group arrangements could have an adverse impact on future operating results. Neither the Issuer nor WOBA DRESDEN GmbH intend, and undertake no obligation, to update the unaudited summary historical financial information to reflect future operating results.

Risks Relating to Expected and Final Maturity of the Notes

The Loans may not be fully repaid or refinanced by the Expected Maturity Date of the Notes. After the Expected Maturity Date, the Transaction Security may not be fully realised. This is most likely to arise in situations where prevailing market conditions are such that realisations of the Properties made on or before the Final Maturity Date of the Notes are likely to be lower than under current market conditions. Failure to repay the Notes in full by the Final Maturity Date will result in a Note Event of Default entitling the Note Trustee to serve a Note Acceleration Notice and failure to repay the Notes in full by the Expected Maturity Date is likely to result in the credit ratings of the Notes or the DACs being downgraded or withdrawn by the Rating Agencies.

If any of the Loans remain outstanding on the date which is six months prior to the Final Maturity Date, the Special Servicer shall be required to prepare a Note Maturity Plan and present the same to the Issuer, the Note Trustee and the Issuer Security Trustee not later than 45 days after such date together with a statement of whether, in the opinion of the Special Servicer, all recoveries then anticipated by the Special Servicer with respect to the Loans (whether by enforcement of the Transaction Security or otherwise) are likely to be realised in full prior to the Final Maturity Date.

Upon receipt of the Note Maturity Plan, the Note Trustee will convene a meeting of each Class of Noteholders at which the Noteholders will have the opportunity to discuss the various proposals contained in the Note Maturity Plan with the Special Servicer. Following such meeting, if the Special Servicer is of the opinion that the Loans are unlikely to be realised in full prior to the Final Maturity Date, the Special Servicer will have the opportunity to modify the Note Maturity Plan and will provide a final Note Maturity Plan to the Issuer, the Noteholders, the Note Trustee and the Issuer Security Trustee.

Upon receipt of the final Note Maturity Plan, the Note Trustee will convene, at the cost of the Issuer, a meeting of the Most Senior Class of Noteholders at which the Noteholders of such Class will be requested to select their preferred option among the proposals set forth in the final Note Maturity Plan. The proposal that receives the approval of the holders of the Most Senior Class of Notes then outstanding by way of Ordinary Resolution will be implemented by the Special Servicer, notwithstanding any other provision of the Servicing Agreement or requirement to act in accordance with the Servicing Standard. If no proposal receives the approval of the holders of the Most Senior Class of Notes then outstanding by way of Ordinary Resolution at such meeting, then the Issuer Security Trustee will be deemed to be directed by all the Noteholders to appoint a receiver in order to realise the security created pursuant to the Issuer Security Documents as soon as practicable upon such right becoming exercisable. Such realisation may be undertaken in unfavourable market conditions which may reduce the amount recovered by such receiver and hence the amount available to repay the Notes.

Risks Relating to the Deferral of Interest on Certain Classes of Notes

If, on any Note Payment Date prior to delivery of a Note Acceleration Notice, there are insufficient funds available to the Issuer to pay accrued interest on any Class of Notes, other than accrued interest on the Most Senior Class of Notes then outstanding, such failure to pay interest will not constitute a Note Event of Default and the Issuer's liability to pay such accrued interest will be deferred until the earlier of (a) the next following Note Payment Date on which the Issuer has, in accordance with the Pre-Enforcement Priorities of Payments, sufficient funds available to pay such deferred amounts (including any interest accrued thereon) and (b) the date on which the relevant Notes are due to be redeemed in full. Such

deferred interest shall itself accrue interest at the same rate as that payable in respect of the relevant Notes.

Reliance on Agents

Certain of the business activities of the Issuer are to be carried out on behalf of the Issuer by agents appointed by the Issuer for such purpose. Neither the Issuer nor the Issuer Corporate Services Provider will have any role in determining or verifying the data received from the Servicer, the Special Servicer, the Issuer Cash Manager, the Issuer Account Bank, the Agents, the Note Trustee and the Issuer Security Trustee and any calculations derived therefrom.

Furthermore, certain agents of the Issuer will, in turn, rely on information provided by other agents when performing their duties under the Transaction Documents. In particular, Elavon Financial Services Limited, London Branch as the Issuer Cash Manager under the Issuer Transaction Documents, will rely on the Servicer and the Special Servicer to provide it with certain information relating to payments made on the Loans on the basis of which it will make certain of the determinations required to calculate payments due on the Notes of each Class on each Determination Date as described in "*Cash Management — Calculation of Amounts and Payments*". If the Servicer or, as the case may be, the Special Servicer fails to provide the relevant information to the Issuer Cash Manager, the Issuer Cash Manager may not be able to accurately calculate amounts due to Noteholders or DACs holders on the related Note Payment Date.

Pursuant to the Cash Management Agreement, if such a situation arises, the Issuer Cash Manager will make its determinations based on the information provided to it by the Servicer or, as the case may be, the Special Servicer and will not be liable to any person (in the absence of gross negligence, fraud and wilful default) for the accuracy of such determinations. There can, however, be no assurance that determinations made on this basis will accurately reflect amounts then due to Noteholders or DACs holders.

The Conditions of the Notes, and DACs Conditions, provide that if, for whatever reason, an incorrect payment is made to any party entitled thereto (including the Noteholders of any Class or the DACs holders, as applicable) pursuant to the Pre-Enforcement Priority of Payments, the Issuer Cash Manager will rectify the same by increasing or reducing payments to such party (including the Noteholders of any Class or DACs holders, as applicable), as appropriate, on each subsequent Note Payment Date or Note Payment Dates to the extent required to correct the same. Where such an adjustment is required to be made, the Issuer Cash Manager will notify Noteholders or DACs holders of the same in accordance with the terms of Condition 17 (*Notice to and Communication between Noteholders*) and DACs Condition 14 (*Notice to and Communication between DACs holders*).

Accordingly, Noteholders and DACs holders should be aware that in such situations increased or reduced payments may be made and no Noteholder or DACs holder will have recourse to the Issuer or any other Transaction Party for any losses suffered as a result of an adjustment relating to an incorrect payment made before such Noteholder acquired the Notes or such DACs holder acquired the DACs, as applicable.

Appointment of Substitute Servicer or Substitute Special Servicer

The termination of the appointment of the Servicer or the Special Servicer under the Servicing Agreement will only be effective once a substitute servicer, or substitute special servicer as the case may be, has effectively been appointed (see "*Servicing Arrangements for the Loans*" below). There can be no assurance that a suitable substitute servicer or substitute special servicer could be found who would be willing to service the Loans and the Transaction Security at a commercially reasonable fee, or at all, on the terms of the Servicing Agreement (even though such agreement provides for the fees payable to a substitute servicer or substitute special servicer to be consistent with those payable generally at that time for the provision of the relevant commercial mortgage administration services). In any event, the ability of such substitute servicer or substitute special servicer to perform such services fully would depend on the information and records then available to it. The fees and expenses of a substitute servicer or substitute special servicer performing services in this way would be payable in priority to payment of interest under the Notes and amounts payable under the DACs.

Conflicts Between Servicing Entities and the Issuer

The Issuer has been advised by the Servicer and Special Servicer, that each of them intends to continue to service existing and new loans for third parties and its own portfolio, including loans similar to the Loans, in the ordinary course of their respective businesses. These loans may be in the same markets or have common owners, obligors and/or property managers as the Loans and the Properties. Certain personnel of the Servicer or Special Servicer, as applicable, may, on behalf of the Servicer or Special Servicer, as applicable, perform services with respect to the Loans at the same time as they are performing services, on behalf of other persons or itself, with respect to other loans in the same markets as the Properties securing the Loans. In such a case, the interests of the Servicer or Special Servicer, as applicable, and its affiliates and their other clients may differ from and compete with the interests of the Issuer and such activities may adversely affect the amount and timing of collections on the Loans.

In addition, affiliates of the Servicer or Special Servicer, as applicable, may actively engage in the financing of commercial property, including commercial property that competes with the Properties, and may in the future have relationships, including financing relationships, with the equity owners of the Obligors under the Loans. Such activities and relationships may create conflicts of interest for a Servicer or Special Servicer, as applicable, in its servicing of the Loans.

Although the potential for a conflict of interest exists in these circumstances, pursuant to the terms of the Servicing Agreement, the Servicer or Special Servicer, as applicable, have agreed to act in accordance with the Servicing Standard which would require them to service the Loans without regard to such affiliation.

Conflicts Between Affiliates of the Arranger and the Joint Lead Managers and the Issuer

Conflicts of interest between affiliates of the Arranger and the Joint Lead Managers that engage in the acquisition, development, operation, financing and disposition of commercial property, on one hand, and the Issuer, on the other hand, may arise because such affiliates will not be prohibited in any way from engaging in business activities similar to or competitive with those of the Obligors. Affiliates of the Arranger and the Joint Lead Managers intend to continue to actively acquire, develop, operate, finance and dispose of property-related assets in the ordinary course of their business. During the course of their business activities, affiliates of the Arranger and the Joint Lead Managers may acquire, own or sell properties or finance loans secured by properties which are in the same markets as the Properties. In such a case, the interests of such affiliates may differ from and compete with the interests of the Issuer, and decisions made with respect to such assets may adversely affect the amount and timing of distributions with respect to the Notes. In addition, the Arranger and the Joint Lead Managers and its affiliates may have business, lending or other relationships with, or equity investments in, obligors under loans or tenants and conflicts of interest could arise between the interests of the Issuer and the interests of the Arranger and the Joint Lead Managers and such affiliates arising from such business relationships.

Related Parties May Purchase Notes

Related parties, including the Servicer or the Special Servicer, if applicable, or affiliates of the Obligors may purchase all or part of one or more Classes of Notes. A purchase by the Servicer or the Special Servicer, if applicable, could cause a conflict between such entity's duties pursuant to the Servicing Agreement and its interest as a holder of a Note, especially to the extent that certain actions or events have a disproportionate effect on one or more Classes of Notes. The Servicing Agreement provide that each Loan is required to be administered in accordance with the Servicing Standard without regard to ownership of any Note by the Servicer or the Special Servicer, if applicable, or any affiliate thereof.

Rights of the Operating Advisor in relation to the Loans

The Operating Advisor, on behalf of the Controlling Class, will have the right to require the Issuer to replace the person then acting as the Special Servicer and to be consulted with in relation to certain actions with respect to the servicing and enforcement of the Loans including, among other things, certain modifications, waivers and amendments of the Loans, the release of any security and the release of any Borrower's obligations under the Facility Agreement. Neither the Servicer nor the Special Servicer will be obliged to act upon any direction given by the Operating Advisor, or to refrain from taking any action resulting from the consultation or approval rights of the Operating Advisor, if so acting or refraining from acting would, in the opinion of the Servicer or Special Servicer, cause it to violate the Servicing Standard.

There can be no assurance that any advice provided by the Operating Advisor will ultimately maximise the recoveries on the Loans. For further details of the Operating Advisor's consultation rights, see "*Servicing Arrangements for the Loans*". The Operating Advisor may act solely in the interests of the Controlling Class; the Operating Advisor does not have any duties to any holders of the DACs or Noteholders other than the Controlling Class; the Operating Advisor may take actions that favour the interests of the Controlling Class over the interests of the other Noteholders; the Operating Advisor will not be deemed to have been negligent or reckless, or to have acted in bad faith or engaged in wilful misconduct, by reason of its having acted solely in the interests of the Controlling Class; and the Operating Advisor will have no liability whatsoever for having acted solely in the interests of the Controlling Class, and no holder of any Class of Notes (other than the Controlling Class) or holders of the DACs may take any action whatsoever against the Operating Advisor for having so acted.

Rights Available to Holders of Notes of Different Classes

In performing its duties and exercising its powers as trustee for the Noteholders, the Note Trustee will have regard to the interests of all of the Noteholders. Where there is a conflict between the interests of the holders of one Class of Notes and the holders of another Class of Notes, the Note Trustee will only have regard to the interests of the holders of the Most Senior Class of Notes in respect of which the conflict arises, subject as provided in the Note Trust Deed and the Conditions.

Prospective investors in more junior Classes of Notes should, therefore, be aware that conflicts with more Classes of Notes will be resolved in favour of the latter Classes.

The DACs will have no voting rights. The Note Trustee will be obliged to have regard to the interests of the Noteholders and the DACs holders when exercising any of its powers, duties, rights, discretions and authorities, save that (other than as stated below), where the Note Trustee is of the opinion that there is or may be a conflict between the interests of the Noteholders and the DACs holders, the Note Trustee will only be obliged to have regard to the interests of the Noteholders. However, at no time shall the Issuer and/or the Note Trustee be permitted to amend the DACs Conditions or alter the position of the DACs in the relevant Priorities of Payment.

Risks Relating to Noteholder Meetings

Prospective investors (and particularly those considering investing in more junior Classes of Notes) should pay particular attention to the terms of the Notes when considering whether or not to invest in the Notes, as their rights may differ from those available to them under comparable securitisations which closed prior to the date of this Prospectus. In particular, notice periods for convening such meetings may be shorter and the majority required to pass Written Extraordinary Resolutions and Ordinary Resolutions may be lower than those applicable in other CMBS transactions.

Noteholders should be aware that unless they have made arrangements to promptly receive notices sent to Noteholders from any custodians or other intermediaries through which they hold their Notes and give the same their prompt attention, meetings may be convened and Extraordinary Resolutions or Ordinary Resolutions, including in relation to the Note Maturity Plan (see "*Risks Relating to Expected and Final Maturity of the Notes*" above), may be considered and resolved or deemed to be passed without their involvement. The provisions on meetings of Noteholders permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Modifications and Waivers without Noteholder or DACs holder consent

The Note Trust Deed provides that, without the consent of any of the Noteholders or DACs holders, the Note Trustee may agree or may direct the Issuer Security Trustee to agree:

- (a) to any modification of the DACs and to any modification (except a Basic Terms Modification) of the Notes, the Note Trust Deed (including the Conditions or DACs Conditions, as applicable) or any of the other Issuer Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the holders of any Class of Notes (for so long as any of the Notes remains outstanding); or

- (b) to any modification of the DACs, the Notes, the Note Trust Deed (including the Conditions or DACs Conditions, as applicable) or any of the other Issuer Transaction Documents which, in the opinion of the Note Trustee, is:
 - (i) to correct a manifest error; or
 - (ii) to comply with mandatory provisions of law; or
 - (iii) of a formal, minor or technical nature.

The Note Trustee may also without the consent or sanction of the Noteholders or the DACs holders and without prejudice to its rights in respect of any subsequent breach, condition, event or act from time to time and at any time but only if and in so far as in its opinion the interests of the Noteholders of each Class of Notes (for so long as any of the Notes remains outstanding), waive or authorise, or direct the Issuer Security Trustee to waive or authorise, on such terms and subject to such conditions as it shall deem fit and proper, any breach or proposed breach by the Issuer or any other party thereto of any of the covenants or provisions contained in the Note Trust Deed (including the Conditions or DACs Conditions) or in any other Issuer Transaction Documents (which, for the avoidance of doubt, shall include payment by the Issuer Cash Manager of moneys standing to the credit of the Issuer Transaction Account other than in accordance with the provisions of the Issuer Deed of Charge) or determine that any condition, event or act which constitutes a Note Event of Default or Potential Note Event of Default shall not be treated as such for the purposes of the Note Trust Deed (including the Conditions or DACs Conditions).

There can be no assurance that each Noteholder or DACs holder concurs with any such modification or waiver by the Note Trustee permitted by the Note Trust Deed, the Conditions and the DACs Conditions.

Modifications to the Issuer Transaction Documents to Comply with Rating Agency Criteria

The Conditions of the Notes, and the DACs Conditions, provide that the Note Trustee will, subject to certain exceptions, but without a requirement for the consent or sanction of any of the Noteholders or the DACs holders or any other Issuer Secured Creditor, concur with the Issuer, and/or direct the Issuer Security Trustee to concur with the Issuer, in making any modification: (i) to the Issuer Transaction Documents and/or the Conditions and/or the DACs Conditions that are requested by the Issuer in order to comply with any criteria of the Rating Agencies which may be published after the Closing Date and which modifications the Issuer certifies to the Note Trustee and the Issuer Security Trustee in writing are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to any Class of the Notes or to the DACs; or (ii) to the Interest Rate Swap Agreement, where the Interest Rate Swap Counterparty obtains (at its sole cost and expense) a Rating Agency Confirmation from both Fitch and DBRS and delivers a copy of such Rating Agency Confirmations to the Note Trustee and the Issuer Security Trustee which confirms that such modifications to the Interest Rate Swap Agreement will not result in a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to any Class of the Notes. Such modifications may include, without limitation, modifications which would allow the Interest Rate Swap Counterparty and/or the Liquidity Facility Provider not to post collateral in circumstances where it previously would have been obliged to do so. There can be no assurance that such modifications would not increase the costs of the Issuer or reduce the returns to Noteholders or DACs holders, as applicable.

The Credit Crisis and Downturn in the Real Estate Market Have Adversely Affected the Value of CMBS

The Properties consist almost exclusively of multi-family residential properties in Germany which are let to tenants who occupy such properties. Even though the Loans are secured primarily on residential properties and the exposure of the Borrowers (and consequently the Issuer and the Noteholders and the DACs holders) is to residential tenants and the residential letting market in the areas of Germany where the Properties are located, the Notes and the DACs will (notwithstanding the nature of the Properties) be affected by market trends which affect commercial mortgage-backed securities ("CMBS") in general. Recent events in the real estate and securitisation markets, and in the debt markets and the economy generally, have caused significant dislocations, illiquidity and volatility in the markets for, CMBS and securities backed by residential properties as well as in the wider global financial markets.

Declining real estate values (including multi-family residential properties), coupled with diminished availability of leverage and/or refinancing for multi-family residential properties commercial real estate has resulted in increased delinquencies and defaults on commercial mortgage loans. In addition, the downturn in the general economy has affected the financial strength of many commercial real estate tenants. Any continued downturn may aggravate these factors, have an adverse effect on CMBS that are backed by mortgage loans secured by such commercial real estate and thus affect the market values of and investor demand for such CMBS. There can be no assurance that the dislocation in the CMBS market will not continue to occur or become more severe. Furthermore, the deterioration of other structured products markets may continue to adversely affect the value of CMBS. Even if CMBS are performing as anticipated, the value of and investor demand for such CMBS in the secondary market may nevertheless decline as a result of deterioration in general market conditions or in the market for other asset backed or structured products. Notwithstanding the specific characteristics of the Properties, the market value of the Notes and the DACs may be adversely affected by market perceptions of CMBS generally.

The Volatile Economy and Credit Crisis May Increase Loan Defaults and Affect Payments under the Notes and the DACs

The global economy recently experienced a significant recession and many economies continue to experience ongoing volatility. While as of the date of this Prospectus the German economy may not be in recession, conditions are volatile and economic growth may not be sustainable for any specific period of time. As described below under ("*Considerations relating to the Properties — Risks Relating to Residential Properties; — Commercial Property Lending Risk*" below) a material worsening in such global, national or local economic conditions where the Properties are situated could increase tenant defaults, lead to a decrease in rental value and lower occupancy rates at the Properties and/or a decline in the value of the Properties. Such circumstances may result in substantial delinquencies and defaults on the Loans and adversely affect the amount of liquidation proceeds arising from the sale of the Loans or any part of the Properties (directly or indirectly) following the enforcement of the security (or deed in lieu thereof) in respect of the Loans (plus VAT, if applicable) (the "**Liquidation Proceeds**"), the Issuer would realise in the event of enforcement and liquidation. These factors could thereby adversely affecting the amounts received by the Issuer under the Loans and ultimately, the amounts available for payment to Noteholders or DACs holders.

The Obligors own, let and manage residential and, to a limited extent, commercial properties in the European, i.e. German, real estate market and are affected by the economic and financing conditions relating to such activities. The global and European markets have seen an increase in volatility due to uncertainty surrounding the level and sustainability of sovereign debt of certain countries in the eurozone, including Greece, Spain, Portugal, Ireland, Italy and Cyprus, as well as the sustainability of the Euro itself. There can be no assurance that this uncertainty will not lead to further disruption of the credit markets in Europe. In addition, recently-enacted (and future) financial reform legislation in Europe could adversely affect the availability of credit for commercial real estate.

Since the downturn in the global economy, the lack of credit liquidity, decreases in both the sale and rental value of commercial properties, lower occupancy rates and, in some instances, correspondingly higher lending rates have prevented many commercial mortgage borrowers from refinancing their loans. In addition, the declines in real estate values have resulted in reduced borrower equity, hindering the ability of borrowers to refinance in an environment of increasingly restrictive lending standards and giving them less incentive to cure delinquencies and avoid enforcement. Higher loan-to-value ratios are likely to result in lower recoveries on foreclosure, and an increase in loss severities above those that would have been realised had property values remained the same or continued to increase. Many commercial mortgage lenders have tightened their loan underwriting standards which has reduced the availability of mortgage credit to prospective borrowers. These developments have contributed and may continue to contribute, to a weakening in the commercial real estate market as these adjustments have, among other things, inhibited refinancing and reduced the number of potential buyers of commercial real estate. The continued use or further adjustment of these loan underwriting standards may contribute to further increases in delinquencies and losses on commercial mortgage loans generally. The general availability of commercial real estate financing will directly affect the ability of the Borrowers to repay the Loans on maturity. It is not possible to predict with certainty whether the economic and financing conditions for companies such as the Obligors will improve in the future. If the factors described above were to remain volatile or to deteriorate, then the likelihood that Noteholders and DACs holders would

suffer a loss on all or some of their investment in the Notes or the DACs, as applicable, may increase accordingly during the term of the Transaction.

Defaults under the Loans and Investment return

Investors should be aware of the following considerations in relation to defaults under the Loans:

- (a) even if Liquidation Proceeds received in respect of the Loans are sufficient to cover the principal and accrued interest on the same, the Issuer may experience losses in the form of special servicing fees, liquidation fees, work-out fees and other expenses, and Noteholders and DACs holders may bear losses as a result, and their yield will be adversely affected by such losses;
- (b) the time periods to resolve the Loans or any of them following the occurrence of a default may be long, and those periods may be further extended because of Obligor insolvency and related litigation; and
- (c) even if Noteholders or DACs holders, as applicable intend to hold their Notes or DACs, as applicable, depending on the circumstances of particular Noteholders or DACs holders, Noteholders and DACs holders may be required to report declines in the value of their holdings in the Notes or the DACs, and/or record losses, on their financial statements or regulatory or supervisory reports, and/or repay or post additional collateral for any secured financing, hedging arrangements or other financial transactions that they have entered into that are backed by or make reference to the Notes or the DACs, in each case as if the Notes or the DACs were to be sold immediately.

Regulation affecting investors in securitisations

In Europe, the U.S. and elsewhere there is increased political and regulatory scrutiny of the asset-backed securities industry. This has resulted in a number of measures for increased regulation which are currently at various stages of implementation and which may have an adverse impact on the regulatory capital charge to certain investors in securitisation exposures and/or the incentives for certain investors to hold asset-backed securities, and may thereby affect the liquidity of such securities. Investors in the Notes and the DACs are responsible for analysing their own regulatory position and none of the Issuer, the Issuer Corporate Services Provider, the Note Trustee, the Issuer Security Trustee, the Liquidity Facility Provider, the Interest Rate Swap Counterparty, the Issuer Cash Manager, the Agents, the Registrar the Issuer Account Bank, the Arranger, the Joint Lead Managers, the Servicer or the Special Servicer makes any representation to any prospective investor or purchaser of the Notes or DACs regarding the regulatory capital treatment of their investment on the Closing Date or at any time in the future.

Investors should be aware of Article 122a of CRD2 and any implementing rules in relation to a relevant jurisdiction, which applies in general to newly issued securitisations after 31 December 2010. Article 122a restricts EU regulated credit institutions from investing in asset-backed securities unless the originator, sponsor or original lender in respect of the relevant securitisation has explicitly disclosed to the EU regulated credit institution that it will retain, on an ongoing basis, a net economic interest of not less than five per cent. in respect of certain specified credit risk tranches or asset exposures as contemplated by Article 122a. Article 122a also requires an EU regulated credit institution to be able to demonstrate that it has undertaken certain due diligence in respect of, amongst other things, the securitisation notes it has acquired and the underlying exposures and that procedures are established for such due diligence activities to be conducted on an on-going basis.

Change of law

The structure of the transaction and the issue of the Notes and DACs and the ratings which are to be assigned to the Notes and DACs are based on the law and administrative practice in effect as at the date of this Prospectus as it affects the Issuer Transaction Parties, the Obligors and the Properties and having regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given as to the impact of any possible change to English or German law or administrative practice or tax treatment after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes or the DACs.

The Issuer's ability to make (and Noteholders' and DACs holders' entitlement to receive) payments on the Notes and the DACs is therefore subject to the risk that tax law or the application of such law in any of the above specified jurisdictions may change.

English law security and insolvency considerations

The Issuer has its registered office in England. As a result there is a rebuttable presumption that its centre of main interest is in United Kingdom and consequently it is likely that any insolvency proceedings applicable to it would be governed by English law.

The Issuer will enter into the Issuer Deed of Charge pursuant to which it will grant the Issuer English Security in respect of certain of its obligations, including its obligations under the Notes and the DACs. If certain insolvency proceedings are commenced in respect of the Issuer, the ability to realise the Issuer Security may be delayed and/or the value of the Issuer Security impaired.

The Insolvency Act 1986 (the "**Insolvency Act**") allows for the appointment of an administrative receiver in relation to certain transactions in the capital markets. Although there is as yet no case law on how these provisions will be interpreted, they should be applicable to the floating charge created by the Issuer in favour of the Issuer Security Trustee under the Issuer Deed of Charge. However, as this is partly a question of fact, were it not to be possible to appoint an administrative receiver in respect of the Issuer, the Issuer would be subject to administration if it became insolvent.

In addition, it should be noted that, to the extent that the assets of the Issuer are subject only to a floating charge (including any fixed charge recharacterised by the courts as a floating charge), in certain circumstances under the Insolvency Act 1986, certain floating charge realisations which would otherwise be available to satisfy the claims of secured creditors under the Issuer Deed of Charge may be used to satisfy any claims of unsecured creditors. Although certain of the covenants given by the Issuer in the Issuer Transaction Documents are intended to ensure it has no significant creditors other than the secured creditors under the Issuer Deed of Charge, it will be a matter of fact as to whether the Issuer has any other such creditors at any time. There can be no assurance that the Noteholders and the DACs holders will not be adversely affected by any such reduction in floating charge realisations upon the enforcement of the Issuer English Security. Although the transaction structure is designed to minimise the likelihood of the Issuer becoming insolvent, there can be no assurance that the Issuer will not become insolvent and/or the subject of insolvency proceedings and/or that the Noteholders or DACs holders would not be adversely affected by the application of insolvency laws.

Fixed charges may take effect under English law as floating charges

The law in England and Wales relating to the characterisation of fixed charges is unsettled. The fixed charges purported to be granted by the Issuer (other than by way of assignment in security) may take effect under English law as floating charges only if, for example, it is determined that the Issuer Security Trustee does not exert sufficient control over the Charged Property. If the charges take effect as floating charges instead of fixed charges, then, as a matter of law, certain claims would have priority over the claims of the Issuer Security Trustee in respect of the floating charge assets.

The interest of the Issuer Secured Creditors in property and assets over which there is a floating charge will rank behind the expenses of any administration or liquidator and the claims of certain preferential creditors on enforcement of the Issuer English Security. Section 250 of the Enterprise Act 2002 abolishes the Crown Preference in relation to all insolvencies (and thus reduces the categories of preferential debts that are to be paid in priority to debts due to the holder of a floating charge) but Section 176A of the Insolvency Act 1986 requires a "prescribed part" (up to a maximum amount of £600,000) of the floating charge realisations available for distribution to be set aside to satisfy the claims of unsecured creditors. This means that the expenses of any administration, the claims of preferential creditors and the beneficiaries of the prescribed part will be paid out of the proceeds of enforcement of the floating charge ahead of amounts due to the Noteholders and the DACs holders. The prescribed part will not be relevant to property subject to a valid fixed security interest or to a situation in which there are no unsecured creditors. As a result, if the fixed charge was characterised as a floating charge, payments made on the Notes and DACs could be delayed and/or reduced.

Liquidation expenses

Prior to the House of Lords' decision in the case of *Re Leyland Daf* in 2004, the general position was that, in a liquidation of a company, the liquidation expenses ranked ahead of unsecured debts and floating chargees' claims. *Re Leyland Daf* reversed this position so that liquidation expenses could no longer be recouped out of assets subject to a floating charge. However, section 176ZA of the Insolvency Act, which came into force on 6 April 2008, effectively reversed by statute the House of Lords' decision in *Re Leyland Daf*. As a result, it is now the case that the costs and expenses of a liquidation will be payable out of floating charge assets in priority to the claims of the floating charge-holder. In respect of certain litigation expenses of the liquidator only, this is subject to the approval of the amount of such expenses by the floating charge-holder (or, in certain circumstances, the court) pursuant to rules 4.218A to 4.218E of the Insolvency Rules 1986. In general, the reversal of *Re Leyland Daf* applies in respect of all liquidations commenced on or after 6 April 2008. Therefore, floating charge realisations upon the enforcement of the floating charge security to be granted by the Issuer would be reduced by the amount of all, or a significant proportion of, any liquidation expenses.

No Regulation of the Issuer by any Regulatory Authority

The Issuer is not required to be licensed or authorised under any current securities, commodities or banking laws of its jurisdiction of incorporation. There is no assurance, however, that regulatory authorities in one or more jurisdictions would not take a contrary view regarding the applicability of any such laws to the Issuer. The taking of a contrary view by such regulatory authority could have an adverse impact on the Issuer or the holders of Notes or the DACs.

Book Entry Interests

The Notes will initially only be issued in global form and deposited with a Common Safekeeper for Euroclear and Clearstream, Luxembourg. The DACs will initially only be issued in global form and deposited with a Common Depository for Euroclear and Clearstream, Luxembourg. Interests in the Global Notes, Global Certificates and Global Deferred Arrangement Fee Certificate will trade in book-entry form only. The Common Safekeeper or Common Depository, or its nominee, for Euroclear and Clearstream, Luxembourg will be the sole holder of the Global Notes, Global Certificates and Global Deferred Arrangement Fee Certificate representing the Notes or DACs, as applicable. Accordingly, owners of book-entry interests must rely on the procedures of Euroclear and Clearstream, Luxembourg, and non-participants in Euroclear or Clearstream, Luxembourg must rely on the procedures of the participant through which they own their interests, to exercise any rights and obligations of a holder of Notes or DACs, as applicable.

Unlike the holders of the Notes or DACs themselves, owners of book-entry interests will not have the direct right to act upon the Issuer's solicitations for consents, requests for waivers or other actions from holders of the Notes or DACs. The procedures to be implemented through Euroclear or Clearstream, Luxembourg may not be adequate or still in existence to ensure the timely exercise of rights under the Notes and the DACs.

None of the Issuer, the Borrower Security Trustee or the Note Trustee, or any of their agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective participants of their respective obligations under the rules and procedures governing its operations.

The lack of Notes and DACs in physical form could make it difficult for a Noteholder or DACs holder, as applicable, to pledge such Notes or DACs if Notes or DACs in physical form are required by the party demanding the pledge and hinder the ability of the Noteholder or DACs holder, as applicable, to resell such Notes or DACs because some investors may be unwilling to buy Notes or DACs that are not in physical form. Furthermore, certain transfers of Notes or DACs or interests therein may only be affected in accordance with, and subject to, certain transfer restrictions and certification requirements.

CONSIDERATIONS RELATING TO THE LOANS

Limited Due Diligence

The due diligence exercise carried out with respect to the Portfolio and the Obligors was limited in scope and partly carried out on a sample basis. In particular, the property due diligence was based on

information provided by the Obligors in an electronic data room in relation to information prior to 19 February 2013, 6 p.m. CET, ("**Legal and Corporate Due Diligence Cut-Off Date**") and limited to, *inter alia*, a review of (i) land register extracts in relation to the legal title in the Properties and certain major encumbrances, (ii) a random sample of 20 cadastral maps relating to the Properties, (iii) certain information on restitution claims and similar issues affecting Properties due to the fact that they are located in the area of the former German Democratic Republic, (iv) certain obligations of the Borrowers arising from the Dresden and Zwickau social chartas, (v) a sample of ten commercial lease agreements and (v) certain, non-comprehensive information on public law matters and litigation. No substantial review was carried out in relation to residential lease agreements and no building permits were reviewed. Consequently, no risks with regard to such circumstances and issues not covered by the scope of the property due diligence could be identified in the due diligence process. Similarly, the scope of the corporate and employment due diligence was limited.

A limited technical and environmental due diligence was carried out on behalf of the Borrowers and the Lender and addressed with reliance to the Issuer and the Borrower Security Trustee. The technical due diligence was limited to producing an independent illustration and financial assessment of the current technical condition of the Portfolio as well as an evaluation of the available excerpts from the registers of inherited contamination. The technical condition of the properties was recorded under consideration of a period of 10 years. In addition, a review was conducted with regard to the buildings' compliance with relevant statutory regulations (planning legislation, fire protection etc). The environmental due diligence was limited to an environmental desktop study of 1048 Properties in Dresden and 31 Properties in Zwickau. The objectives of the pollutant investigation was to uncover and designate any financial risks which can result from the removal and the disposal of building pollutants as well as from the remediation of potential soil and groundwater contaminations.

Jones Lang LaSalle has conducted a valuation of the Portfolio in accordance with the RICS Red Book standards, including a sample inspection of individual Properties, analysis and evaluation of the Property information, individual market and locational analysis of the units and a determination of the market value of the units. Please see the section entitled "*Valuation Report*" for further details. Selected tax due diligence was carried out by Ernst & Young GmbH *Wirtschaftsprüfungsgesellschaft* covering certain German tax aspects relevant for the WOBA Group (e.g. with respect to their tax status, tax groups earning stripping rules, extended trade tax deduction).

Notwithstanding the due diligence and Reports which have been prepared as described above and relied upon by the Issuer, such due diligence and Reports have not been comprehensive and there is no guarantee that they disclosed all relevant and/or material issues to the Issuer. In the Facility Agreement, the Obligors have provided representations and warranties as to certain matters which have been described, verified and/or disclosed in such due diligence, data room or Reports but also in relation to matters which were not described, verified and/or disclosed therein. As such, it is possible that matters which could not be verified by reference to the due diligence and/or Reports were represented to by the Obligors subject to their best knowledge of the related circumstances. If such matters were subsequently shown to have been incorrect, inaccurate or untrue, but were not known by the Obligors at the relevant time to the best of their knowledge, it is possible that the Issuer's remedies under the Facility Agreement, including its ability to declare a Loan Event of Default on this basis, would be limited or non-existent. Depending on the nature of these matters, costs or liabilities could arise for the Obligors that would negatively impact upon the ability of the Borrowers to make payments under the Loans, and therefore to the Issuer's ability to pay amounts due under the Notes or the DACs.

Sufficiency of Obligors' Assets

Payments on the Loans are dependent primarily on the sufficiency of the rental income from the Properties and, upon default by the Borrowers (as the Loans are secured by, *inter alia*, land charges (*Grundschulden*) over the Properties) or on the maturity date of the Loans (the "**Loan Maturity Date**"), on the market value of the Properties and/or the Borrowers' ability to refinance the Properties. If the cash flow from a Property is reduced, the ability of the Borrowers to repay the Loans may be impaired.

Each Borrower's and other Obligors' ability to make payments due under the Loans will be subject to the risks generally associated with investment in real property. These risks include adverse changes in general or local economic or political conditions, demographics, the financial condition of the tenants, vacancy levels, property and rental values generally, arrears with rental payments, the locality of the Properties, interest rates, property tax rates, other operating expenses or the need for capital expenditure,

unavailability of trade tax exemption, inflation, the supply of and demand for commercial and residential properties, laws on letting of properties, planning and building laws or other laws or governmental regulations and policies (including changes to laws on letting of properties and environmental restrictions), competitive conditions (including changes in land use and construction of new competitive properties) which may affect the ability of a Borrower to obtain or maintain full use of a Property, war, civil disorder, acts of terrorism, acts of God (such as floods or earthquakes), and other factors beyond the control of the Obligors. These and other factors may make it impossible for a Property to generate sufficient income to make full and timely payments on the Loans.

Late Payment and Non-Payment of Rent

There is a risk that rental payments due under the leases will not be paid on the due date or will not be paid at all. In the event of a late payment of rent which is not received on or prior to the immediately following Loan Payment Date, whether due to the inability of the tenant to pay or due to disputes regarding outstanding rental payments, where the resultant shortfall is not otherwise compensated from other resources of the relevant Borrower or the other Obligors within the grace period for payment under the related Loan and where the Obligors fail to pay the amount due on that immediately following Loan Payment Date, an event of default will occur in relation to the Loans (a "**Loan Event of Default**"). This will not necessarily cause a Note Event of Default since, in the event of a shortfall on the Notes, the Issuer will (subject to the provisions of the Liquidity Facility Agreement) have access to the Liquidity Facility to cover (to the extent funds are available) any shortfall in respect of interest payable on the Notes due to a shortfall under a Loan following a shortfall in rental payments received by the respective Borrower. No assurance can be given that the resources available to the Issuer will, in all cases and in all circumstances, be sufficient to cover any shortfall of interest on the Notes and that a Note Event of Default will not in fact occur as a result of the late payment of rent.

For the avoidance of doubt, the Liquidity Facility may not be utilised to make payments on the DACs.

Prepayment of the Loans

The Borrowers may be obliged, in certain circumstances, to prepay the Loans in whole or in part prior to the Loan Maturity Date. These circumstances include a disposal of all or part of a relevant Property, on a change of control of an Obligor in certain cases or its shareholder (where relevant) and where it would be unlawful for the lender to perform any of its obligations under a Finance Document or to fund or maintain its share in the Loans (see "*The Facility Agreement*" below). These events may be beyond the control of the Obligors and are beyond the control of the Issuer. Any such prepayment may result in the Notes being prepaid earlier than anticipated. Where the Borrowers are required to prepay the Loans in full as a result of any such mandatory prepayment provision, they may not be able to refinance such prepayment in time, which may lead to a default under the Loans.

Borrowers' Ability to Refinance or Sell the Properties on the relevant Loan Maturity Date

The Loans are expected to have a substantial remaining principal balance outstanding at the relevant maturity date. The ability of the Borrowers to repay the Loans on the Loan Maturity Date will depend significantly on funds available to the Borrowers, which will in turn depend on the ability of the Borrowers to refinance the Loans or sell the Properties that secure the Loans. The ability of a Borrower to accomplish the foregoing will be affected by a number of factors, including the availability of financing from lenders such as banks, insurances and other financial institutions at the time, the Borrowers' equity in the Properties, the financial condition of the Borrowers (including any additional indebtedness), the operating history of the Properties and the factors described under "*Sufficiency of Obligors' Assets*" above. None of the Issuer, the Servicer, the Special Servicer or any of their respective affiliates or any other person is or will be under any obligation to refinance any of the Loans and there is no assurance that the value of any Property on the Loan Maturity Date of the related Loan will be equal to or exceed the amounts then due under such Loan.

Failure by the Borrowers to refinance the Loans or to sell any relevant Properties on or prior to the maturity date of its Loan may result in the Borrowers defaulting on the Loans. In the event of such a default, the Noteholders, DACs holders, or the holders of certain Classes of Notes, may receive by way of principal repayment an amount less than the face value of their Notes, and an amount less than expected in relation to the DACs, and the Issuer may be unable to pay, in full, interest due on the Notes or any amounts due on the DACs.

Additional Indebtedness and Other Liabilities

The Loans prohibit each of the Obligors from incurring additional indebtedness unless such indebtedness is incurred under the Finance Documents, is subordinated.

The Borrowers are permitted to incur (i) indebtedness constituted by certain liabilities for the payment for goods or services acquired in the ordinary course of business or the carrying out of capital expenditure or (ii) debt under inter-company loans, subject to subordination arrangements. Some of the Obligors, such as WOBA DRESDEN GmbH, are operating companies and, therefore, in this context have third party creditors other than in connection with the financing of the Properties (see "*Considerations related to the Obligors – Nature of the Obligors*" and "*- Risks Relating to Other Indebtedness, Liabilities and Financings of the Obligors*").

Considerations Relating to Loan Concentration

There is a risk that loan losses will be more severe if there is only a single loan with a large principal amount. As the Loans are only made to a single Borrower group, losses on the Loans are likely to have a substantial adverse affect on the ability of the Issuer to make payments under the Notes and payments under the DACs.

German Regulatory Considerations

Pursuant to Section 32 of the German Banking Act (*Kreditwesengesetz*) anyone who intends to conduct banking business or to provide financial services in Germany commercially or on a scale which requires a commercially organised business undertaking needs to obtain a banking licence from the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, "**BaFin**").

German banking supervision and German licence requirements are territorially limited under the German Banking Act to services provided "in Germany". In accordance with the BaFin's policy as published in its circular on cross-border business dated April 2005 (*Merkblatt – "Hinweise zur Erlaubnispflicht nach § 32 Abs. 1 KWG in Verbindung mit § 1 Abs. 1 und Abs. 1a KWG von grenzüberschreitend betriebenen Bankgeschäften und/oder grenzüberschreitend erbrachten Finanzdienstleistungen"*, the "**BaFin Circular**") in respect of cross-border services, non-German providers are deemed to conduct business "in Germany" if they turn to the German market in a "targeted manner" in order to repeatedly offer commercially organised banking or financial services to German customers.

Under the BaFin Circular, no licence requirement applies if a lender does not actively solicit its services in Germany but, instead, the respective borrower approaches the lender on its own initiative (so-called reverse solicitation or "passive freedom to provide services" - *passive Dienstleistungsfreiheit*).

Whether the Issuer's entry into the Facility Agreement with the Obligors could be considered to constitute regulated lending business under the German Banking Act in accordance with the above principles is a question of fact. The factual circumstances in which the Loans have been granted to the Borrowers (to the extent they appear to be relevant in connection with the administrative practice of the BaFin as described in the BaFin Circular) may be summarised as follows: (i) the Issuer is a company that has been established and that is resident outside of Germany; (ii) it has neither conducted any activities in Germany nor has it approached any of the Borrowers in relation to the Loans, rather, the Issuer has been set up as a result of the Arranger having been approached by the Borrowers' shareholders with the request to consider the granting of a refinancing to the Borrowers; (iii) it has not otherwise targeted the market in Germany for the purpose of offering Loan to German residents and (iv) has no intention to do any of the foregoing in the future. In line with its purpose to act as an issuer of mortgage backed securities, it will not conduct any other business than entering into the Facility Agreement and the transaction described in this Prospectus. As a consequence and on the basis of these facts, there are strong arguments to state that reverse solicitation has occurred.

If an authorisation by the BaFin were required, according to judgments rendered by German courts, the Loans would not generally be void, but the lack thereof could lead to the Borrowers' obligation to repay the Loans prior to the Loan Maturity Date by virtue of the illegality provisions contained in the Facility Agreement. In addition, the BaFin may require the Loans to be repaid. The ability of the Borrowers to repay the Loans in these circumstances will be affected by a number of factors, including the availability of financing at the time, the Borrowers' equity in the Properties, the financial condition of the Borrowers

(including any additional indebtedness), the operating history of the Properties and the factors described under "*Sufficiency of Obligors' Assets*" above.

Sufficiency of assets upon enforcement

Following a Loan Event of Default, enforcement of the relevant Transaction Security may not be immediate, resulting in a significant delay in the Borrower Security Trustee's recovery of amounts owed by the Borrowers under the Loans. In the event of an enforcement of the Transaction Security after the institution of insolvency proceedings with respect to a Borrower, additional factors need to be considered. In particular, prospective Noteholders and DACs holders should note that provisions of the German Insolvency Code (*Insolvenzordnung*) (the "**Insolvency Code**") restrict the realisation of the Transaction Security. There can be no assurance that an insolvency administrator will not successfully contest, (i) any payments made by the Obligors prior to the opening of insolvency proceedings (including where a payment was made by the Obligors with the intention to prejudice creditors at the time of such payment) or, (ii) any part of the Transaction Security. However, the security structure established with respect to the Transaction Security should yield sufficient access to all potential proceeds in an insolvency of a Borrower (although the amount and timing of receipt of any such proceeds will be dependent upon, among other things, market values and economic conditions at the time of enforcement and the ability of the secured creditors to agree with the relevant insolvency administrator on an enforcement and sale process) (for considerations related to particular types of security, see "*Considerations relating to the Transaction Security*"). However, there may be certain classes of creditors entitled to receive the proceeds of secured assets before the Borrower Security Trustee (for example, enforcement costs and taxes).

While the Issuer may (subject to certain conditions and subject to the maximum commitment amount) draw amounts under the Liquidity Facility in the event of a liquidity shortfall to meet payments of interest on the Notes, in the event that the Loans are not repaid in full following the enforcement of the Loans and the Transaction Security, the Issuer may not have sufficient resources to satisfy in full its obligations under the Notes. For the avoidance of doubt, the Liquidity Facility will not be utilised to make payments on the DACs.

The obligations of the Obligors are not insured or guaranteed by the Issuer, the Arranger, the Joint Lead Managers, the Servicer, the Special Servicer, the Issuer Cash Manager, the Note Trustee, the Issuer Security Trustee, the Corporate Services Provider, the Principal Paying Agent, the Registrar, the Agent Bank, the Liquidity Facility Provider, the Interest Rate Swap Counterparty or the Issuer Account Bank. Amounts received on enforcement of the security created to secure the relevant Loan, following a default under the related Loan, including proceeds of any sale or other disposal of the relevant Properties, could be insufficient to pay the relevant Loan in full, in which case Noteholders and DACs holders may ultimately suffer a loss.

In addition, there can be no guarantee that the Issuer will be able to recover fees incurred or advanced in connection with the enforcement of the Loans or the Transaction Security from the Borrowers, in particular, to the extent that such fees exceed the statutory limits provided by law. There can be no assurance that the legal costs relating to an enforcement of an Loan or the Transaction Security will fall within the limitation of what can be charged to an obligor under applicable law. Any amounts of legal fees in excess of such limitation could result in a shortfall to amounts that would otherwise be distributed on the Notes or under the DACs.

In Germany, legal fees that can be charged to an obligor in connection with the enforcement of a loan are limited based on the Lawyers Fees Act (*Gesetz über die Vergütung der Rechtsanwältinnen und Rechtsanwälte — RVG*). Such legal fees are based on the specific stage of enforcement and the amount of the claim.

Equitable Subordination

The German rules of equitable subordination apply to claims of a shareholder against the company in which it holds a shareholder interest exceeding a certain threshold. However, such rules may also apply to a lender, due to restrictive covenants in a facility agreement (relating to corporate measures in respect of the borrower, *i.e.* mergers), so that such lender would be regarded as taking control over the borrower and as being a quasi shareholder of the borrower. In this case, claims of the lender against such borrower may, in an insolvency of the borrower, be subordinated to the claims of other creditors of such borrower.

Accordingly, if, as a result of the provisions of any document entered into between a Borrower and a Finance Party, the respective Finance Party is granted "*de facto*" control of the respective Borrower in respect of its management and/or business decisions, that Finance Party could be treated as being in a position similar to that of a shareholder of the respective Borrower with the result that its claims against the respective Borrower may be subordinated in the insolvency of the relevant Borrower. Whether or not the exercise and enforcement of its rights under such document by the relevant Finance Party constitutes taking control (for example, sole signing rights of the respective Finance Party) is a matter of fact.

Limited payment history

The major part of the Loans has been advanced on 20 February 2013. As such, the Loans do not have a payment history on the date of this Prospectus. While the Issuer is not aware of defaults or delays in the payment history under the loans previously granted to the Borrowers which have been refinanced by the Loans granted by the Issuer, such payment history is no guarantee of the future performance of the Loans.

Considerations relating to the Obligors

Nature of Obligors

The Facility Agreement contains provisions that require the Obligors to conduct themselves in accordance with certain limited purpose covenants (see "*The Facility Agreement - Undertakings*"), such as owning and managing the Properties and making payments on their outstanding indebtedness (in particular the Loans), which restrict the Obligors from conducting business other than owning and managing the Properties and activities connected thereto, even though potential investors should note that some of the Obligors are operating companies, so that not all of such covenants are applicable. There can be no assurance that the Obligors will be able to comply with the limited purpose covenants, and, even if all or most of such restrictions have been complied with by any such Obligor, there can be no assurance that any such Obligor will not nonetheless become insolvent.

Risks Relating to Other Indebtedness, Liabilities and Financings of the Obligors

Some of the Obligors, such as WOBA DRESDEN GmbH, are operating companies and, therefore, have third party creditors other than in connection with the financing of the Properties. Although there are restrictions on the indebtedness which the Obligors may incur (see "*Additional Indebtedness and Other Liabilities*") and there are certain restrictions on the business activities that the Obligors may enter into (see "*The Facility Agreement - General Description of the Obligors*"), there can be no assurance that third party creditors will not assert claims against such Obligors, which may impair an Obligor's ability to make payments under the Loans.

The Obligors have not been established solely for the Refinancing and have existed, and managed the Properties, for a number of years prior to the Closing Date. As described in the section entitled "*The Borrowers and Guarantors*", the Obligors are subject to liabilities existing prior to the Closing Date, some of which will continue to exist thereafter. As such, in addition to the Issuer and the other relevant transaction parties, there are certain persons which have claims on the Obligors. Therefore, prospective Noteholders and DACs holders should take note that the relevant obligations set out in the Finance Documents are not the sole claims on the Obligors.

Employees

As of December 2012, according to information provided by the Borrowers, the WOBA Group had a total of 358 employees and more than half of such employees are expected to be employed by the Borrowers. The employment relationships (*Arbeitsverhältnisse*) are subject to German labour law which is based on statute, case law and collective bargaining agreements (*Tarifverträge*) made between the employers' association or the employer on the one hand and the trade union on the other hand and by shop agreements (*Betriebsvereinbarungen*) concluded between the employer and the works council (*Betriebsrat*). The Obligors and Immo Service GmbH have liabilities from anniversary bonus obligations (*Jubiläumsgeldverpflichtungen*) and from old-age part time obligations (*Altersteilzeitverpflichtungen*). Furthermore, according to a master agreement (*Kollektivrahmenvertrag*) between WOBA DRESDEN GmbH and winsecura Pensionskasse AG, employees can participate in a direct insurance scheme (*Direktversicherung*) and/or a pension fund by way of deferred compensation (*Entgeltumwandlung*). It is

possible that contributions to the respective scheme and/or a funding might not be sufficient to fully cover the liabilities of WOBA Group companies in this regard.

Employees and/or employee representation bodies may assert claims against the Obligors arising under or in connection with the employment relationship. Competent state authorities may file an investigation regarding working conditions and/or payment of income taxes and social security contributions. Any future sustained labour dispute could lead to a substantial interruption of the overall business and could have a material effect on the operating results or financial condition of the WOBA Group, and, accordingly, the Obligors. The likelihood of such claims arising and the amount of such potential claims are difficult to predict. Furthermore, the management and employees of the WOBA Group are critical to the successful development and implementations of the business strategy of the WOBA Group and, accordingly, the Obligors. If the Obligors fail to retain and attract the necessary and effective key personnel to fill management and technical roles and at economically reasonable compensation levels, it will adversely affect its ability to operate the business effectively and this could have a material effect on the Obligor's operations.

Shareholdings

In Germany no share register or any other register exists which would provide full evidence of the shareholders of a GmbH or partners of a partnership and, consequently, shareholdings of the companies (including) and the holdings in a partnership may only be verified to a limited extent.

German Capital Maintenance Rules

The general principle under German capital maintenance rules is that a limited liability company ("**GmbH**") cannot provide upstream or cross-stream guarantees and security for debt incurred by a direct or indirect shareholder of such GmbH in an amount in excess of its net assets. The German capital maintenance rules do not apply to any security granted by a borrower to secure its own debt or to any guarantee or security provided by a direct or indirect shareholder of the borrower. It has become common German market practice to contractually restrict the enforcement of up-stream and cross-stream guarantees and security granted by a GmbH to an amount which does not result in the net assets of the GmbH to fall below its stated share capital. Such limitations are included in the Facility Agreement and in certain security documents securing the Loans to the extent a German limited liability company is granting security.

As a consequence of the German capital maintenance rules and contractual limitation on the enforcement of up-stream and cross-stream guarantees and security, the enforcement of such guarantees and security (but not of any security granted by a Borrower to secure its own debt or to any guarantee or security provided by a direct or indirect shareholder of a Borrower) may be limited as to their amount such that, upon default by a Borrower and enforcement of such guarantees and security, the enforcement proceeds of such guarantee and security may fall short of the amount of debt owed by the respective Borrower to the Issuer. It should, however, be noted that as long as the Borrower Security Trustee, being the person given the benefit of the security which secures the obligations under the relevant finance documents, and not a direct or indirect shareholder, is not acting in bad faith and collusively to the detriment of the GmbH's creditors, such security granted to the Borrower Security Trustee will not be held void nor will the Borrower Security Trustee be obliged to repay amounts received thereunder even when the enforcement of such security would result in the net assets of the relevant GmbH to fall below its stated share capital. In addition, a GmbH (and its managers) would be concerned to ensure compliance with such rules so as to avoid any claims being made against its managers for breach of these rules.

RISKS RELATING TO THE TRANSACTION SECURITY

Title to the Properties

Subject to the matters set out below, the Borrowers were registered as owners of the Properties (including condominium ownership (*Wohnungseigentum*) or part-ownership title (*Teileigentum*) in 826 different land register folios (as established in the Legal and Corporate Due Diligence Report), condominium folios or part-ownership folios maintained at the local courts of Dresden and Zwickau and dated 14 January 2013. The references in the land register have been checked against the information contained in Schedule 12 Part I to the Facility Agreement to confirm that with respect to the land register folio number

(*Nummer der Grundbuchblätter*) all Properties were covered in the Legal and Corporate Due Diligence Report.

A few Properties are not fully owned as freehold by the Borrowers but the Borrowers only hold ownership shares (*Miteigentumsanteile*), usufruct rights (*Nießbrauchrechte*) or the Borrowers use such Properties or the buildings thereon under lease agreements, e.g. the Property at Nachtflügelweg which is leased from the City of Dresden and built-up with a kindergarten building owned by one of the Borrowers. In two cases, the Borrower is part of a community of heirs (*Erbengemeinschaft*) and cannot separately sell or encumber its share. These Properties will not be encumbered with the Land Charges. As at the valuation date of the Properties, the market value of assets held under third-party ownership or ownership shares (*Miteigentumsanteile*) was €2,429,643, the market value of assets held under usufruct rights (*Nießbrauchrechte*) was €0 (nil), the market value of assets held under a Community of Heirs (*Erbengemeinschaft*) was €178,664. See "*Valuation Report*".

The Properties are located in Dresden and Zwickau, Saxony, which, until 1990, formed part of the German Democratic Republic. The different legal system of the German Democratic Republic and other specific developments such as nationalisation of properties give rise to title related issues. Restitution claims may arise from expropriation during the National Socialist regime or from expropriations which happened in the post-war period or during the existence of the German Democratic Republic. Such restitution claims may, *inter alia*, result in a re-transfer of the relevant property to its previous owner. For details please refer to "*Risks relating to the Properties - Restitution Claims*" below. In general, this would not affect the Land Charges encumbering such Property but such security would usually only need to be released against compensation of the land charge beneficiary for the loss of security. There can be no assurance that such compensation would be equal to the loan amount allocated to the relevant Property. According to a court ruling by the Higher Regional Court of Dresden, in the event a land charge beneficiary was aware of pending claims or could have been aware of such claims the owner of such property may prevent enforcement measures. In such circumstances, the possibility that a Property would have to be released from a Land Charge without compensation cannot be excluded. According to information provided prior to the Legal and Corporate Due Diligence Cut-Off Date, restitution claims were pending in relation to up to 20 buildings (comprising 38 addresses) according to information from the Borrowers. The value attributed to these Properties in the initial valuation is €23,350,127. One further Property was encumbered with a Land Reform Notice (*Bodenreformvermerk*) which may secure a restitution claim. It is not possible to determine whether these Properties will have to be returned by the Borrowers to the previous owners or whether compensation payments will have to be made to former owners. It cannot be ruled out that these Properties may have to be released from the Land Charges without compensation and that further claims in relation to other Properties have already been or will be asserted. Certain claims relating to restitution are covered by an indemnification by the City of Dresden which is subject to certain limitations and will expire in 2016 at the earliest.

Encumbrances and property related third party agreements

Certain Properties are encumbered with rights and interests which may, *inter alia*, affect the Borrowers' ability to use, let, further encumber or sell such property. A comprehensive review of all encumbrances registered in the land register has not been carried out.

Certain Properties are subject to three hereditary building rights for the benefit of third parties which entitle the beneficiaries to use the property on a long-term basis and to erect and own a building thereon against payment of hereditary building right interest. In relation to Properties registered in 49 land register folios the relevant Borrower leased back the buildings erected thereon by the beneficiary of the hereditary building right. The rent generated under the sublease agreements with third parties has been assigned as security to the beneficiary of the hereditary building right. The Properties (but not the hereditary building rights) are encumbered with a Land Charge. None of the properties subject to hereditary building rights are included in the Portfolio and no value has been attributed to these properties in the initial valuation. Please also refer to "*Registration of the Assigned and the New Land Charge*" below. In relation to the Properties encumbered with one of the hereditary building rights, a land charge is registered for the benefit of Commerzbank securing a loan granted to the land charge beneficiary (please see below "*Registration of the Assigned Land Charges and the New Land Charge*"). Also, these Properties have been ignored for the purposes of the initial valuation. Four Properties are encumbered with notices under the Property Law Correction Act (*Sachenrechtsbereinigungsgesetz*). Procedures under this act aim to rectify situations, where in accordance with the law of the German Democratic Republic, separate ownership titles in land and buildings exist. It is possible that hereditary buildings rights or other

rights of use could be created for the benefit of third parties which would adversely affect the value of such Properties.

Also, there are certain notices registered in the land registers relating to remediation measures or the Land Separation Act which are outlined in the paragraph entitled "*Risks relating to the Properties - Restrictions under German Planning Law*" and "*Registration of the Assigned Land Charges and the New Land Charge*" below. One Property is encumbered with a Land Reform Notice (*Bodenreformvermerk*) which might secure a restitution claim of a beneficiary (please refer to "*Title to the Properties*" above). Some Properties are encumbered with priority notices (*Auflassungsvormerkungen*) for the benefit of third parties securing rights of third parties to claim the transfer of such Properties to them. Whereas in some instances this relates to pending sales of Properties where the relevant Property has not been taken into account for the purpose of the initial valuation in other cases claims of the municipalities to request transfer of parts of a Property to it are secured.

Other encumbrances seem to be standard and include rights to have cables, pipelines, traffic areas and way leaves, there could be an impact on the use and value of the Properties, and the imposition of material obligations on the Borrowers, including payment and maintenance obligations. In addition, the Borrowers have been granted certain rights to use properties adjacent to Properties and, conversely, third parties with properties adjacent to Properties have been granted certain rights to use Properties.

In various cases, buildings existing on Properties have been erected partly on adjacent properties owned by third parties. Depending on the history of such encroachment, the relevant Borrowers may be obliged to pay an indemnification or to remove the relevant part of the building. Rights of use may also have been granted to third parties in relation to the Properties or obtained from by third parties for the benefit of the Properties on a contractual basis which will not be binding on a successor in relation to the title in the relevant third party property unless explicitly transferred. It cannot be excluded that certain rights required for access to and the operation of the Properties are not in place.

Some of the Properties were subject to obligations which involved the demolition of certain residential buildings as part of the programme "*Stadtumbau Ost*". The Borrowers have confirmed that the demolition process has been completed and therefore none of the Properties are, or are expected to be, subject to obligations involving demolition. A small number of properties that were subject to demolition obligations are included in the Portfolio and have been valued as land value. Please refer to the paragraph "*Dresden and Zwickau Social Chartas*".

Registration of the Assigned Land Charges and the New Land Charge

The Land Charges comprise three comprehensive registered land charges (*Gesamtbuchgrundschulden*). Two of the Land Charges were assigned by the previous security trustee to the Borrower Security Trustee ("**Dresden Assigned Land Charge**" and "**Zwickau Assigned Land Charge**", together "**Assigned Land Charges**") (with a few additional sub-plots having been included after the assignment) and one comprehensive registered land charge was created for the Borrower Security Trustee over Properties not previously encumbered ("**New Land Charge**"). Applications will be made for entry of priority notices (*Vormerkungen*) in favour of the Issuer in the relevant land registers (*Grundbüchern*) to secure the right of the Issuer to have the Land Charges transferred to it.

The assignment of the Assigned Land Charges and the rights and claims under the land charge deeds (such as the assumption of debt (*persönliche Haftungsübernahme*) and submission to immediate enforcement (*Unterwerfung unter die sofortige Zwangsvollstreckung*)) was effected by way of land charge assignment deeds between the previous land charge beneficiary and the Borrower Security Trustee. A notary filed the documentation with the relevant land registries one Business Day after the Original Facility Date.

The assignment of existing registered land charges (such as the Assigned Land Charges) requires registration of such assignment in the land register of the encumbered Properties. According to a review of a land register extract (containing a reference to other extracts) such registration has been completed for the Dresden Assigned Land Charge, while the registration of the Zwickau Assigned Land Charge has not yet been completed. Usually, it could be assumed that registration for Zwickau Assigned Land Charge will also be completed within three months but the timing is influenced by circumstances outside of the Borrowers' control, such as the workload of the relevant land registry, and registration may in some cases take several months. The assignment of the Assigned Land Charges will only become effective

upon registration for all Properties encumbered with such land charge. Due registration for all Properties to be encumbered with the Assigned Land Charges will be confirmed by a review of a full set of land register extracts. The New Land Charge has been registered over the Properties to be encumbered with it. The enforceable copies of the land charge deeds (*vollstreckbare Ausfertigungen*) for the Assigned Land Charges need to be addressed to the Borrower Security Trustee. Such re-addressing is expected to occur shortly after registration of the assignments. One deed has not been available to the assigning land charge beneficiary and needs to be replaced after completion of the assignment. The necessary declarations of the assigning land charge beneficiary have been provided.

Properties with a value of €36,780,547 are located in redevelopment areas (*Sanierungsgebiete*). Creation of a land charge in a redevelopment area requires the consent of the City of Dresden and registration of the New Land Charge cannot be completed until the consent has been granted. According to one scholar in legal literature this shall also apply if a new security purpose is agreed in relation to existing land charges (such as the Assigned Land Charges) though there is no jurisprudence or other authority confirming this view. Before the consent is available the existing land charge and the assignment would still be valid but the change to the security purpose would be provisional and the owner of the relevant Property could prevent enforcement. The Borrowers have received the necessary consent and confirmation by the City of Dresden and the City of Zwickau. In relation to three Properties the registration of the assignment of the Dresden Assigned Land Charge is further subject to the prior consent of the City of Dresden under the Land Separation Act (*Bodensonderungsgesetz*). The assignment has been registered in the relevant land registers.

In addition to the encumbrances set out in the paragraph entitled "*Encumbrances and property related third party agreements*", certain Properties are currently encumbered with land charges for the benefit of third parties. Generally, such land charges have to be deleted by 20 July 2013. A notary has confirmed that deletion consents have been filed with the relevant land registries. Deletion of two land charges in the amount of approximately €256,000 and €307,000 shall be achieved by 20 February 2014. In relation to these land charges, the land charge certificates (*Grundschuldbrief*) required to be provided to the land registries could not be retraced but the relevant land charge beneficiaries have initiated processes for the replacement of such certificates. Before deletion has been completed, the Land Charges over the Properties will not be registered with first ranking priority. No indebtedness of the Borrowers ranks senior to the Loans and therefore the holders of such prior receiving security should not have a claim against the Borrowers. Properties subject to a hereditary building right for the benefit of Striesen KG are encumbered with a senior ranking land charge for the benefit of Commerzbank AG in the amount of € 49,229,660 which will not be deleted. The relevant Properties have been ignored for the purpose of the initial valuation. Should a prior land charge or mortgage (*Hypothek*) be enforced by way of a compulsory sale (*Zwangsversteigerung*), junior ranking property liens (*Grundpfandrechte*) registered in the relevant land register would expire upon acceptance of a bid. Claims would be satisfied from the proceeds in order of the ranking. Should such proceeds be insufficient to redeem any Land Charge, such Land Charge will still be deleted and, will no longer be available as security for the Loans. In relation to Properties which are subject to sales processes, land charges securing the financing of the purchase by the purchaser have been registered ranking junior to the Land Charges which are permitted under the Facility Agreement. These Properties have also been ignored in the initial valuation. Please also refer to the section "Relevant aspects of German Property Law".

Over-Collateralisation

In relation to the Loans, pursuant to the rules of German law on taking security, there is a risk that security will be held void and unenforceable if a secured creditor holds security over assets of a value which, at the time the security is taken is disproportionate to the secured debt (*anfängliche Übersicherung*). If over-collateralisation subsequently (*nachträgliche Übersicherung*) arises because part of the secured debt is repaid but the security value remains the same or increases, the security remains valid. However, once the realisable value of the security exceeds the debt by more than 10 per cent., the excess security is subject to an obligation to be released by the creditor upon request of the debtor and, if subsequent over-collateralisation is significant, such release would occur automatically so as to reduce the value of the security to 110 per cent. of the secured claims. According to existing court judgments, no assurance can be given as to how a competent court would view the security structure of this transaction and accordingly, that the Transaction Security will not be deemed to be excessive in accordance with these rules.

Security over bank accounts

Each Obligor has, in accordance with the terms of the respective Loan, established certain bank accounts into which, *inter alia*, rental income and disposal proceeds in respect of the relevant Properties must be paid (see "*Security backing the Loans*") which are pledged to the Borrower Security Trustees.

In respect of the accounts of the Obligors, the relevant account banks hold certain priority security interests over such bank accounts in accordance with their general conditions of business for banking in Germany, as a result of which, the relevant pledges granted in favour of the Borrower Security Trustee and the Issuer will be subordinated to such security interest and/or right of set off held by the relevant account bank until the relevant account banks have waived or subordinated such priority security interest. As required pursuant to the Facility Agreement and the Account Pledge Agreement, the Obligors have obtained statements from the banks with whom such accounts are held that they waive and/or subordinate such priority security interest subject to and in accordance with the terms of the Account Pledge Agreement, save to the extent that the relevant pledges relate to: (i) costs directly incurred in respect of the operation of any account with such bank or (ii) the revocation of direct debits and correction of reverse entries.

Effect of Insolvency Proceedings on Security Assignment of Receivables and Pledges

A security assignment of future lease claims for the time after opening of insolvency proceedings will, pursuant to section 110 of the German Insolvency Code, only be valid in relation to rental claims for the month in which insolvency proceedings are formally opened or earlier rental claims. If proceedings are opened after the fifteenth day of the month, the security assignment will also be valid for the following month. However, an assignee who is also the land charge beneficiary, may benefit from such claims in the case of enforcement of the land charge over the relevant property by way of compulsory administration (*Zwangsverwaltung*).

Under German insolvency law, a creditor who is secured by the assignment of receivables has a preferential right to such receivables (*Absonderungsrecht*) if insolvency proceedings are opened in respect of its debtor. Enforcement of such preferential right is subject to the provisions set forth in the German Insolvency Code (*Insolvenzordnung*). In particular, the secured creditor may not enforce its security interest itself with respect to movables in possession of the insolvency administrator and receivables (*Forderungen*) that have been assigned by way of security. Instead, the insolvency administrator (*Insolvenzverwalter*) appointed in respect of the estate of the debtor will be entitled to enforcement. The insolvency administrator is obliged to transfer the proceeds from such enforcement less legal fees which may amount to up to 4 per cent. plus up to 5 per cent. (in certain cases more than 5 per cent.) plus applicable VAT of the proceeds of realisation to the creditor.

If insolvency proceedings are instituted in respect of any of the Obligors in Germany the Issuer as owner of the Loans and the Transaction Security will have a right to preferential satisfaction (*abgesonderte Befriedigung*) in respect of the Transaction Security, to the extent that the Transaction Security comprises moveable objects in possession of the insolvency administrator and/or receivables that have been assigned to the creditor by way of security. In that case, the cost sharing provisions will apply.

A transfer of assets (including, without limitation, the transfer of the receivables under the Security Assignment Agreement) which only come into existence following the opening of formal insolvency proceedings (*Eröffnung des Insolvenzverfahrens*) against the assets of the transferor is subject to the limitations of Section 91 of the German Insolvency Code (*Insolvenzordnung*) and invalid. Claims which are subject to or result from a current account relationship (*Kontokorrentverhältnis*) cannot be validly assigned or pledged as long as the current account relationship is effective. Therefore, only upon termination of the current account relationship provided that this termination occurs prior to the opening of insolvency proceedings, the final account balance (*Schlussaldo*) can be validly assigned. Pursuant to Section 1274 of the German Civil Code (*Bürgerliches Gesetzbuch*) the same applies in the case of a pledge. Pursuant to Sections 115 and 116 of the German Insolvency Code (*Insolvenzordnung*), a current account relationship is terminated after the opening of insolvency proceedings over the relevant party. From that moment, no disposals (*Verfügungen*) may be made in relation to assets belonging to the insolvent person (Section 91 of the German Insolvency Code (*Insolvenzordnung*)).

Accordingly, the final account balance which comes into existence upon termination of the current account relationship belongs to the insolvency estate (*Insolvenzmasse*) of the assignor or pledgor, as applicable, and an assignment or pledge will not become valid.

Effect of Insolvency Proceedings on agency relationships and mandates

As far as executory agreements qualify as service agreements (*Dienstleistungsverhältnisse*), agency agreements (*Geschäftsbesorgungsverträge*) or mandates (*Vollmacht*), under section 113 of the German Insolvency Code (*Insolvenzordnung*), the insolvency administrator of the principal is entitled to terminate service agreements and agency agreements. Mandates would, according to section 115 and 116 of the German Insolvency Code, extinguish with the opening of insolvency proceedings against the principal by operation of law. A number of the Transaction Documents contain mandates or agency provisions which would be affected by the application of these provisions in an insolvency of the principal thereunder.

Share Security

All shareholders have pledged their shares in the Obligors and Immo Service Dresden GmbH for the benefit of the Borrower Security Trustee. According to the Dresden Social Charta, a pledge over the shares in the Obligors requires the consent of the City of Dresden, unless the pledgee has covenanted to procure that a potential acquirer of the shares agrees to adhere to the restrictions and obligations imposed by to the Dresden Social Charta. The Issuer has been advised that the share pledge agreements are drafted to reflect these requirements.

RISKS RELATING TO THE PROPERTIES

Geographic Concentration

The Properties are located in and around Dresden and Zwickau and, as such, the performance of the Properties will be dependent upon the strength of the economy of the region, of the economy generally and of the social and general development of the municipalities and the surrounding areas. The level of economic activity in general will affect net absorption of rental space and increases in rental rates. For residential properties, the development of the number of citizens requiring housing in Dresden or Zwickau as well their preferences regarding, for example, the type of housing, size, standards and location will impact the Borrowers ability to let the properties. Regarding commercial units, a weakening of the retail and business sectors in the relevant regions or in the relevant country generally may adversely affect demand for space at the Properties and thus affect a Property's operation and lessen its market value. Conversely, strong conditions could lead to increased building activity resulting in increased competition for tenants. The operation of the Properties could be adversely affected by circumstances referred to in this paragraph.

Limitations of Valuations

The valuations of the Properties were obtained around the time of the origination of the Loans and there can be no assurance that the market value of the Properties will continue to equal or exceed such valuations. The valuations of the Properties express the professional opinion of the relevant valuers on the relevant Property and are no guarantees of present or future value in respect of such Property. One valuer may, in respect of any Property, reach a different conclusion than the conclusion that would be reached if a different valuer was appraising such Property. Moreover, valuations seek to establish the amount that a typically motivated buyer would pay a typically motivated seller and, in certain cases, may have taken into consideration the purchase price paid by the existing property owner. As the market value of the Properties fluctuates, there can be no assurance that the market value of the Properties will be equal to or greater than the unpaid principal and accrued interest and any other amounts due on the Notes or the DACs. If the Properties are sold following an event of default, there can be no assurance that the net proceeds of such sale will be sufficient to pay in full all amounts due under the Notes or amounts due under the DACs. See "*Considerations relating to the Loans - Sufficiency of Obligors' Assets*" and "*Sufficiency of assets upon enforcement*".

Dresden and Zwickau Social Chartas and Obligations under Occupancy Agreements

The Borrowers have accepted the so-called Dresden Social Charta and are required to comply with its terms. The Dresden Social Charta was implemented, at the request of the City of Dresden, *inter alia*, to

provide some protection for the rights of tenants and employees of the Borrowers and to restrict certain activities of the Borrowers. In the year 2011, the City of Dresden instituted arbitration and court proceedings against the Borrowers based on alleged breaches of the Dresden Social Charta which have been terminated through a settlement agreement dated 2 March 2012. In addition to the obligation of the Borrowers to pay an amount of € 36,000,000 to the City of Dresden, payable in instalments of € 4,000,000 on 15 October of each year, beginning on 15 October 2012 as well as an amount of € 4,000,000 as compensation for costs, the Dresden Social Charta has been amended as part of the settlement. In the event of breaches of the Dresden Social Charta, in the future substantial damages and other claims may be asserted against the Borrowers which, if successful, may result in substantial payment and other obligations.

The Dresden Social Charta imposes the following restrictions during the "protection period". This period has generally been a period of 10-years from 5 April 2006 but was prolonged by the settlement agreement for parts of the Dresden Social Charta until 5 April 2021; in some cases the original period still applies. The restrictions comprise the following: limitations on rent increases; restrictions on the right to terminate lease agreements; removal of certain termination rights in relation to lease agreements with tenants who have reached the age of 60 or are disabled for the lifetime of such tenants; a certain number of apartments are required to be made available for use by disabled persons; the number of apartments which are available to the City of Dresden under "occupancy agreements" (whereby the City of Dresden determines the tenant, or group of tenants, who occupy such apartments and restrictions are placed on rent levels and termination rights) must be increased by a specified number; the obligation to observe statutory provisions and contractual agreements in favour of tenants; restrictions on the individual sale of properties and apartments; minimum investments in renovations and maintenance; and restrictions on certain types of renovation that can be carried out; performance of obligations and compliance with urban development projects and deconstruction scheme "*Stadtumbau Ost*".

The Dresden Social Charta imposes particular restrictions on the sale and transfer of shares in the WOBA Group. During the protection period, the City of Dresden's consent is required for certain corporate actions, including the re-sale of shares, mergers, participation of third parties in capital increases, liquidation, the disposal of the business (in whole or in part) and other measures which individually or jointly lead to a change in the direct circle of shareholders of, *inter alia*, the Borrowers or the leadership of the company. The Borrowers may not be converted into a stock company without the City of Dresden's consent. Such consent is also required for the pledge of the shares in, *inter alia*, the Borrowers and the enforcement of such share pledge, unless the pledgee has covenanted to procure that a potential acquirer of the shares agrees to accede to the Dresden Social Charta (please refer to "*Risks relating to the Transaction Security – Share security*" above). The sale of shares in WOBA Group during the protection period may trigger a pre-emption right of the City of Dresden. The WOBA Group is generally obliged to preserve its current economic identity during the protection period. The registered office and administrative seat of the WOBA Group has to remain in Dresden. Certain reporting obligations *vis-à-vis* the City of Dresden have to be fulfilled. At least 35,000 apartments are required to be held and managed by WOBA DRESDEN GmbH. Non-compliance with the terms of the Dresden Social Charta may lead to the Borrowers incurring a contractual penalty.

In relation to some Properties located in Zwickau the so-called "**Zwickau Social Charta**" applies, restricting rent increases, termination of existing lease agreements for personal need (*Eigenbedarfskündigung*), or to facilitate adequate economic use of the apartment (*Verwertungskündigung*), and sale of the relevant Properties for ten years from handover which took place on 1 February 2008. Irrespective of the ten year period, lease agreements with tenants older than 60 years and disabled tenants must not be terminated and the City of Zwickau has been granted a pre-emption right.

Obligations under a Development Programme

One Borrower has received subsidies in the amount of € 2,264,839 for implementation of measures under the development programme "*Soziale Stadt Dresden*". Features such as improved open areas, play grounds, rest areas or green areas erected on certain Properties from the subsidies have to be made available for public use. Obligations will expire between 2018 and 2026 and non-compliance will trigger repayment of the subsidies.

Restrictions under German Planning Law

Under German planning law, the competent municipality may enact by-laws (*Satzungen*) which are, for example, intended to ensure a proposed reallocation of properties (*Umlegung*), redevelopment (*Sanierung*) or a preservation (*Erhaltung*) of the existing urban or residential structures.

A number of Properties are situated within areas which were subject to such by-laws. In particular, in relation to properties in redevelopment areas (*Sanierungsgebiete*) the sale, encumbrance and letting of such Properties, as well as reconstruction and refurbishment measures, are generally subject to special consent by the building authorities and as a consequence such measures may be delayed or even prevented. According to the Borrowers, 47 commercial lease agreements are subject to consent requirements as they have a term of more than one year but no consents have been obtained. Such lease agreements are provisionally void (*schwebend unwirksam*). Tenants under the lease agreements will still be required to pay a compensation for the use of the lease objects to the Borrowers which should generally be equal to the rent if such rent reflects market rents. Residential leases will most likely not be affected by the consent requirement as they are entered into for an indefinite period of time in accordance with German statutory law which does not lead to a fixed term of more than one year. As a result of the redevelopment, properties within the redevelopment area are likely to increase in value. The City of Dresden may request compensation for such increase in value from the owners of properties located in such areas as a result of the works carried out by the City of Dresden.

Building authorities may decide to further develop certain areas of a city, including the construction of new streets or pavements. The respective costs will then be charged to the adjacent or otherwise profiting property owners. For a number of the Properties, future development costs (*Erschließungskosten*) have been announced, but the exact costs have not been determined yet. Certain advance payments have been made to the authorities based on an estimate of the development costs, and further sums are likely to become due and payable in the future. Prior to the Legal and Corporate Due Diligence Cut-Off Date the Borrowers confirmed that no payments were due but unpaid.

Non-compliance Issues under German Public Law

In Germany, buildings have to be constructed and maintained in accordance with the respective building permits and other applicable German public laws. If building permits or applicable laws are not complied with, the competent authorities may, by administrative order, request that the necessary action is taken to comply with the permit or applicable laws. In particular if the non-compliance puts the occupants of the relevant building in danger, the authority can also issue an order forbidding the future use of the building or parts thereof.

It is possible that the Properties' construction or their use is not in compliance with the building permits or other public law requirements. In addition, even properly constructed and properly used Properties may be subject to changes in building law requirements, in particular with regards to health and safety obligations (for example, fire protection requirements).

It may not always be possible to obtain the records and documents that are needed in order to fully verify that the Properties were constructed and are being used in compliance with planning and building law requirements. These circumstances could lead to additional costs and restrictions of use and could have an adverse effect on the proceeds from sales and rentals of the relevant Properties.

Compulsory Purchase

Under German law, any Property may at any time be acquired by, *inter alios*, a local authority or state, generally in connection with proposed redevelopment or infrastructure projects.

In the event that a Property or parts thereof was to be compulsorily purchased, compensation would be payable to the relevant Borrower and the occupational tenants according to their respective interests. There is often a delay between the compulsory purchase of a property and the payment of compensation dependent on the parties' ability to agree upon the open market value of the property and compensation in relation to compulsory purchase may be less than the open market value of the property. As the occupational tenants' obligations to pay rent would cease on completion of the compulsory purchase, unless the relevant Borrower has other funds available to it, it may be unable to meet its obligations under the Facility Agreement.

Pre-emption rights

The Properties may be subject to pre-emption rights including pre-emption rights in favour of municipalities in respect of properties situated in re-grouping areas (*Umlegungsgebiete*), renewal and/or redevelopment areas (*Sanierungs- und/oder Entwicklungsgebiete*) or areas subject to a preservation ordinance (*Erhaltungssatzung*). Where a pre-emption right exists, it will legally be possible to enter into a sale and purchase agreement with a purchaser of a Property without prior notification of the beneficiary of the pre-emption right, once such agreement has been entered into, during a certain period of time the beneficiary may prevent completion and may request sale of the Property to it generally on the terms of the pre-existing sale and purchase agreement with the third party purchaser but possibly also at a lower price. In practice, a pre-emption right may make it more difficult to dispose of a Property and thereby adversely impact the value of a Property. See also above "*Dresden and Zwickau Social Charters and Obligations under Occupancy Agreements*."

Environmental Considerations

There can be no assurance that the Properties are free from and in the future will remain free from material environmental conditions which could result in a material adverse effect on the related Borrower's business or results of its operations. See above "*Considerations Relating To The Loans – Limited Due Diligence*" for a description of the environmental due diligence undertaken prior to origination of the Loans. Various Properties are registered in the register of contaminated sites (*Altlastenkataster*) maintained by an authority and evidencing information on or relevant in relation to existing or suspected contaminations. In the course of two inspections carried out on behalf of the Borrowers, asbestos containing materials have been identified in certain Properties.

Environmental laws impose liability for clean-up costs if a property is or becomes contaminated (including soil and groundwater pollution, presence of hazardous or toxic substances, warfare materials, contaminants present in buildings on the property) and a liability for related damages on the property owner. Such liability of a Borrower may apply regardless of whether the contamination was caused by it with potentially no recourse to third parties. In addition, the presence of, or the failure to properly remedy, or the suspect of adverse environmental conditions at a Property, may adversely affect the market value of the Property as well as the Borrowers' (as the case may be) ability to sell, lease or refinance the relevant Property. A tenant may also be entitled to reduce rent payments due to adverse environmental conditions, claim damages, assert other claims or terminate a lease agreement. Even if no remediation is required at present, additional costs may be incurred in the event of future changes to the Property or the buildings on the Property.

Sufficiency of Insurance

Although the Facility Agreement requires each of the Properties to be insured at appropriate levels and against the usual risks, there can be no assurance that any loss incurred will be of a type covered by such insurance and will not exceed the limits of such insurance. The Facility Agreement requires each of the respective Borrowers to maintain insurance with substantial and reputable insurers approved by the Issuer or the Borrower Security Trustee (as applicable). The amount covered is required to be at least the full reinstatement value of the insured property, with provision also being made for the cost of clearing the site and architects', engineers', surveyors' and other professional fees incidental thereto. Cover must also be maintained for three years' loss of rent. The Borrowers are also required to maintain insurance against third party risks and public liability risks. The Borrowers have taken out insurance against damage caused by fire, bursting or overflowing of water tanks, apparatus or pipes, storms, tempest, hail, floods, earthquakes, lightning, explosion, impact, aerial devices, civil commotion and malicious damage and such other risks as are insured in accordance with good industry practice.

Should an uninsured loss or a loss in excess of insured limits occur at a Property, a Borrower and therefore potentially the Issuer, could suffer disruption of income from the Property, potentially for an extended period of time, while remaining responsible for any financial obligations relating to the Property. No assurance can be made as to the availability of terrorism insurance at any time. Furthermore, certain types of losses (such as losses resulting from wars, terrorism, nuclear radiation, radioactive contamination, heave or settling of structures etc.) may be or become either uninsurable or not economically insurable, or are otherwise not covered by the required insurance policies. Other risks might become uninsurable (or not economically insurable) in the future. In addition, the Borrowers and the Issuer are relying on the creditworthiness of the insurers (which are required to have a long-term

instruments rating or financial strength rating of from not less than two rating agencies of at least "A" by Fitch, "A2" by Moody's Investors Services, Inc. or "A" by Standard & Poor's Credit Market Services Europe Limited, a division of the McGraw-Hill Companies Inc.) providing insurance with respect to the Property and the continuing availability of insurance to cover the required risks, in respect of neither of which assurances can be made. See further "*The Facility Agreement – Insurance*".

Restitution Claims

All Properties are located within the area of the former German Democratic Republic (GDR). The following scenario of restitution claims may be relevant in specific cases:

German Act on Unsettled Property Issues in Eastern Germany

From 1933 through 1945, the incumbent fascist regime perpetuated the expropriation (*Enteignung*) of real estate from Jewish individuals and others. From 1945 through to 1990, the Soviet forces occupying the former GDR, and the government of the GDR, pursued the nationalization of privately owned real estate (*Volkseigentum*). As a result, no system of restoration of real estate to the pre-1933 status existed in the former GDR until the re-unification of the GDR with the Federal Republic of Germany in 1990. According to the German Restitution Act (*Gesetz zur Regelung offener Vermögensfragen*, the "**Restitution Act**"), persons who were expropriated of property within the former GDR can claim restitution or compensation under certain conditions, in particular if the property was seized without compensation or for less compensation than citizens of the GDR were entitled to. The Restitution Act is also applicable to persons who lost property due to racist, political, religious or ideological reasons during the period from 1933 through 1945. Disposessions between 1945 and 1949 are, however, considered irrevocable and no restitution is granted under the Restitution Act. Applications for restitution of real property generally had to be filed by 31 December 1992. However, the Jewish Claims Conference filed in 1992 a general claim due to the difficulty of specifying individual claims prior to the 31 December 1992 deadline. This general claim lists numerous former owners of real properties and their respective heirs who may be entitled to restitution or compensation under the Restitution Act. It is not clear, however, how many properties fall within the scope of such general claim. If specific claims are brought forward concerning real property, the Restitution Act provides that current owners of such real property would become subject to restrictions on material changes to, and transfer of, the real property. Since the processing of claims may take up to several years, such restrictions may be in effect throughout that period. If specific claims are successful, the owner(s) of the relevant real property may be forced to transfer the real property to the claimant. As a result of the pursuit by the government of the GDR to nationalize privately owned real estate, the state became the owner of virtually all real estate (*Volkseigentum*) situated in the former GDR. Following the reunification of Germany in October 1990, title to residential real estate owned by the government of the GDR was transferred to the municipalities in which such real estate was situated. The re-transfer of such real estate to individuals and non-public entities has been complex and has encountered difficulties. In particular, housing cooperatives (*Wohnungsgenossenschaften*) may bring claims regarding real estate already transferred to the Portfolio. There is no cut-off date by which housing cooperatives must file allocation claims, subject to limited exceptions. The person who holds title to the real property immediately before the restitution is, under certain circumstances, entitled to compensation for the loss of the real property from the compensation fund. Further, the person who holds title to the real property immediately before the restitution is entitled to claim compensation from the former/new owner (or its successor), to whom the real property is returned, if he invested in the real property and if these investments leads to an improvement of the real property which will be with the new/former owner.

Were any claims, such as those mentioned above, to be brought in connection with the Properties, the Borrowers may be severely limited in their ability to manage the relevant Properties and may even be forced to transfer certain Properties to successful claimants. Any such transfers or compulsory transfers of any Properties may have a material adverse effect on the cash flow, results of operations and profitability and thus the ability of the Borrowers to repay the Loans and to pay interest on the Loans. Please also refer to "*Title to the Properties*" above.

Considerations Associated with the Management of the Properties by the Managing Agents

The effective management and operation of a Property affects the revenues, expenses and value of such Property. The property manager is responsible, *inter alia*, for rent and service charge collection, payment of outgoings, monitoring, inspecting and reporting on the condition of the properties and tenant liaison.

Properties deriving revenues primarily from short-term sources, such as short term leases, are generally more management intensive than properties leased to creditworthy tenants under long-term leases. No representation or warranty is made as to the skills of any present or future managers. Additionally, no assurance can be made that the property managers will be in a financial condition to fulfil their management responsibilities throughout the terms of their respective management agreements. Under a Framework Agency Agreement, some companies of the WOBA Group, in particular WOBA DRESDEN GmbH, provide management services in relation to the Properties. Therefore, an external property manager has not been appointed.

Residential Lease Agreements, Rent Adjustments and Termination Rights

In respect of the Properties the review of the residential lease agreements was limited to a brief review of a few agreements from different periods. See "*Limited Due Diligence*" above. Statutory German laws on residential leases are strict and tend to protect the interests of the tenant. In various respects an agreement deviating from statutory law is not possible or such agreements are subject to restrictions imposed by law or developed jurisprudence. Please refer to "*Relevant aspects of German property law*" for restrictions applying to termination of lease agreements and rent increases. A number of lease agreements were entered into prior to 3 October 1990 (being the date as of which the German Civil Code became applicable also in respect to those lease agreements).

There are further restrictions under the Dresden and Zwickau social chartas (see also paragraph entitled "*Dresden and Zwickau Social Chartas and obligations under Occupancy Agreements*" above).

Early Termination of Leases due to Defects with Regard to the Requirements of Written Form

Lease agreements with a fixed term exceeding one year are subject to the requirements of written form under Section 550 of the German Civil Code (*Bürgerliches Gesetzbuch*). If the parties of the lease agreement do not observe the statutory requirements of written form, then the lease agreement continues for an indefinite period of time and can be terminated with six months prior notice with effect as per the end of a calendar quarter. Therefore, a contract may be terminated early despite an originally agreed fixed lease term of several years. As a result, long-term lease agreements which would (if not terminated) generate a steady rental income may be terminated early. Financial losses due to vacancy periods may be incurred as a consequence.

This termination right normally only applies to commercial or retail lease agreements as residential lease agreements are usually concluded for indefinite time and may be terminated by the tenant with a short notice anyway. Indications of written form defects have been identified in the due diligence for commercial lease agreements.

Repairing Obligations and Decorative Repairs

Landlords may face statutory or contractual repair obligations for the Properties. German civil law in principle obliges the landlord to maintain the leased premises in the agreed or proper letting condition. The costs related to such obligations cannot always be recovered from tenants (or insurance) in full, and will then have to be paid out of the capital expenditure accounts maintained by the relevant Borrower. It has been established in the Due Diligence that generally tenants are only (if at all) partly responsible for repairs and repair costs are not recoverable from the tenants of the Properties or only recoverable to a limited extent.

Under a residential or a commercial lease agreement the tenant may be obliged to carry out decorative repairs during or at the end of the term of the lease. Such provisions contained in general business terms and conditions must, however, comply with certain requirements determined by the German Federal Court of Justice (*Bundesgerichtshof*) which has ruled that lease agreements may not provide for fixed dates for decorative repairs but must consider the factual degree of wear and tear. In addition, an obligation of the tenant to carry out decorative repairs at the end of the term of a lease without taking into consideration the time when such repairs have been carried out during the term of the lease may be invalid. In this case, also the obligation of the tenant to carry out decorative repairs during the term of the lease agreement might also be invalid. As a result the landlord would theoretically have to carry out the decorative repairs at the landlord's own expense. No figures in relation to the lease agreements for the Properties are available, and there is a possibility that the tenants of the Properties are not obliged to carry out decorative repairs.

Ancillary Costs

In general, a tenant is only responsible for ancillary costs, such as insurance, water and heating costs, with respect to a leased property where such costs were explicitly agreed with the landlord in the lease agreements. It is possible that the agreements with the tenants are not comprehensive. Also, certain costs cannot be charged to the tenants at all.

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

Set-off of rental payments

It is possible that a tenant may seek to set-off part of its rent in the event that there is a dispute between a Borrower and such tenant, or if a Borrower breaches the tenant's rights of quiet enjoyment, or if the Borrower fails to meet its obligation to keep the relevant Property in repair. The exercise of such set-off would, if exercised across a significant number of Properties, reduce the amount of net rental income available.

Litigation Risk

With respect to the Properties, a large number of legal proceedings are pending. The majority of lawsuits relate to disputes with tenants with a Borrower as plaintiff, in particular to non-payment of rent (see also the paragraph entitled "*Late Payment and Non-Payment of Rent*" above). As of the Original Facility Date, the net value of amounts that the Borrowers have been enforcing against third parties amounts to approximately € 4.23 million. In other cases, the Borrowers are defendants with an amount in dispute of approximately € 4.52 million.

Other risks relating to the Properties

Real estate property values and net operating income can be affected by various factors, including the volatility of property revenue and the operating leverage of a prospectus, which generally refers to the percentage of total property operating expenses in relation to total property revenue, the breakdown of property operating expenses between those that are fixed and those that vary with revenue, and the level of capital expenditure required to maintain the property and retain or replace tenants.

The Loans are largely secured by residential properties. The ability to collect payment of amounts due in respect of residential properties is subject to credit, liquidity and interest rate risks. Such payments will generally fluctuate in response to, among other things, general economic conditions, home occupier mobility, changes in laws, inflation, the availability of financing, political developments, government policies, the financial standing of tenants and other similar factors. Other factors (which may not affect real estate values) may have an impact on the ability of tenants to pay under their leases. Loss of earnings, illness, divorce and other similar factors may lead to an increase in delinquencies and bankruptcy filings by tenants and could ultimately have an adverse impact on the ability of tenants to pay under their leases.

In particular, a Borrower's ability to service payment obligations in respect of the Loans is likely to depend on the Borrower's ability to let the Properties on appropriate terms. In accordance with market standards in Germany, the term of tenancies will generally not match the term of the Loans. There can also be no assurance that the rental income achievable from tenancies of the relevant Property will be sufficient to provide the Borrower with sufficient income to meet the Borrower's payment obligations in respect of the Loans.

The market values and net operating income of the Properties may be adversely affected by a number of factors, including, but not limited to, local property market conditions (such as an oversupply of

commercial or residential space, as the case may be), perceptions by prospective tenants of the safety, convenience, condition, services and attractiveness of the Properties, the proximity and availability of competing alternatives to the Properties, access to public transportation and major roads, the willingness and ability of the relevant Borrower to provide capable management and adequate maintenance of the Properties, demographic factors and unemployment rates (see for further criteria "*Sufficiency of Obligors' Assets*"). In addition, other factors may adversely affect the value of a Property without affecting its current net operating income, including changes in governmental regulations, fiscal policy or tax laws, potential environmental legislation or liabilities or other legal liabilities and the availability of refinancing. In addition, in the event of enforcement against a Borrower, the ability to dispose of a Property at a price sufficient to repay the amounts outstanding under the Loans will depend upon a number of factors, including the availability of buyers, the value of the Property and property values in general at that time.

The age, construction quality and design of a particular property may affect its occupancy levels as well as the rents that may be charged for individual leases. Over time, there may be a requirement for increased maintenance costs and necessary capital improvements in order to maintain a Property and to attract and satisfy major tenants. Also, the effects of poor construction quality will increase over time in the form of increased maintenance and capital improvements needed to maintain the property. Even good construction will deteriorate over time if adequate maintenance is not scheduled and performed in a timely fashion. If, during the term of a Loan, competing properties of a similar type are built in the area where a Property is located or similar properties in the vicinity of a Property are substantially updated and refurbished, the value and net operating income of such Property could be reduced.

Further, it is not unusual for lease agreements in Germany, in particular residential lease agreements, to contain violations of the statutory provisions on general business terms and conditions of the nature described in paragraphs "*Repairing Obligations and Decorative Repairs*" and "*Ancillary Costs*" above etc. The reason is that such provisions provide for a high standard of tenant protection which is continuously developed by the German courts to the benefit of tenants. Older lease agreements, in particular, contain such violations.

TAX CONSIDERATIONS

German tax considerations related to the Borrowers and other Obligors

Each Borrower is liable for ongoing real property tax (*Grundsteuer*) on its real property. However, in general, the real property tax will be predominantly recoverable from the tenants under the terms of their leases, as the real property tax is part of the costs which can be allocated to the tenants as part of the service charges according to special provisions. However, there is a minor risk that the real property tax allocated to the tenants cannot be fully recovered due to, inter alia, vacancy or non-payment of amounts due by the tenants. Furthermore, some lease agreements concluded prior to 1990 do not contain any provision on the allocation of ancillary costs to tenants. In these cases, real property tax may not be recoverable.

In case a Borrower is a corporation for German tax purposes, such Borrower's overall income (including the income from the Properties) is subject to German corporate income tax (the "**CIT**") (*Körperschaftsteuer*). The CIT rate currently amounts to 15.825 per cent. (including solidarity surcharge (*Solidaritätszuschlag*)). If a Borrower is a partnership, for CIT tax purposes, such Borrower is transparent and the Borrower's income and expenses are allocated to the partners of such Borrower. Therefore, such partners are subject to CIT on their respective profit share.

The Borrowers are as German tax residents, in principle, also subject to German trade tax (the "**TT**") (*Gewerbesteuer*). Since TT is a local tax, tax rates differ from municipality to municipality in a range of 7 per cent. to 18 per cent.. For TT purposes, (disregarding an allowance of € 100,000) only 25 per cent. of interest and other (deemed) financing expenses (including the relevant Loans) can be deducted from the assessment base. Interest payable under the Loans may also for other reasons (e.g. because of the German interest barrier rules) not or not fully be tax deductible both for CIT purposes and TT purposes.

For Borrowers with income predominately from leasing and letting of real property, an exemption from TT is available, if a Borrower qualifies as a mere real estate administration company for the purposes of such exemption. If a Borrower qualifies for this exemption, only the net income from leasing or letting, and not the income from other sources, is exempt from German TT. The sale of Properties or other

activities (such as leasing or letting of fixtures) of the Borrowers could have the consequence that such exemption will not be available to the respective Borrower.

Under the Loans, the Borrowers have to pay principal and interest. There are several rules under German tax law limiting the tax deductibility of interest expenses for CIT and TT purposes. Such rules have been subject to substantial changes in the past. Therefore, there are still major uncertainties regarding the application and interpretation of these rules (in particular regarding the German interest barrier rules). This is due to the fact the German tax authorities have not yet clarified all aspects and there are no or only very few local fiscal court decisions available dealing with such rules. The possibility and extent to deduct interest expenses very much depends inter alia on the security structure for debt financings, the shareholder financings, the consolidation rules, the equity ratio, the tax structure, the income structure (taxable EBITDAs, interest income and interest expenses) and the business of the Borrowers and the group they form part of. If the tax deductibility of the interest expenses were limited, this would result in higher CIT and TT burdens which could have an adverse consequence on the Borrowers as well as their cash flows, financial conditions and results of operations and could affect the Borrowers' ability to meet its obligations under the Loans.

The sale and the acquisition of German real estate is, in general, subject to German Real Estate Transfer Tax (*Gründerwerbsteuer*) (the "**RETT**"). The RETT rates currently range from 3.5 per cent. to 5.5 per cent. of the agreed purchase price (and/or any other remuneration for the transfer of the real estate). However, if one of the Properties itself is subject to a compulsory sale, the Borrowers will not be subject to RETT since in such a case the purchaser but not the seller is liable for RETT. If the shares (or the partnership interest) in a Borrower are subject to a compulsory sale by public auction, the relevant Borrower has in certain cases to bear the RETT. If German real estate is sold in a private sale, the parties typically agree that the purchaser has to bear the RETT. However, pursuant to German tax law, the seller and the purchaser are, in principle, jointly and severally liable for the RETT triggered by a private sale.

In general, a recovery of input-VAT paid on services received from other entities or persons is possible only if and to the extent that the relevant Borrower provides services that are subject to German VAT (*Umsatzsteuer*). In this context, Section 15a of the German Value Added Tax Act (*Umsatzsteuergesetz*) (the "**German VAT Act**") provides for a scheme to correct or amend German input-VAT. If a Borrower sells a Property within a period of ten years after its acquisition, the relevant Borrower might have to repay the German input-VAT pro rata temporis if and to the extent it had a claim to recover German input-VAT when it acquired the relevant Property. To the extent the activities of the Borrowers are focused on leasing real property to tenants for residential purposes, the leasing services of the Borrowers are exempt from German VAT; therefore, to such an extent the relevant Borrower has no claim on German input-VAT credits. Therefore, there is no risk insofar that the relevant Borrower has to repay German input-VAT if the German VAT treatment of the services performed by the relevant Borrower changes.

The Borrowers and any of their subsidiaries (as well as the Obligors) are regularly subject to tax audits. The tax authorities might have a different view regarding the tax treatment of certain facts and circumstances and, therefore, might assess (additional) taxes on the Borrowers, Obligors and/or the tax groups which have originally not been declared and paid by the relevant persons. For example, any tax loss carry forwards could be reduced, additional taxes assessed and become payable by the Borrowers. The result of such tax audits might in particular jeopardise the tax groups currently in place and deny a setting off of profits and losses within the group of the Borrowers and/or apply VAT to any services performed between the Borrowers. Such additional taxes could result in a higher CIT and TT and VAT burden which could have an adverse consequence on the Borrowers and their cash flows, financial conditions and results of operations and could affect the Borrower's ability to meet its obligations under the Loans.

Currently, the Borrowers together with the Obligors (and to a certain extent their subsidiaries) form a tax group for German VAT purposes with one of the Obligors (WOBA Holding GmbH) being the head of such German VAT group. A member of a German VAT group may be held (secondary) liable for all German VAT owed by all other German VAT group members. In order to mitigate the risk that any of the Borrowers becomes part of an extended German VAT group (i.e. with other German VAT group members than the Borrowers and their subsidiaries), all Obligors (including the Borrowers) have undertaken not to form part of or become a member of any other tax group other than a member of (i) a German VAT group, (ii) CIT group or (iii) TT group in each case made up solely of any of the Obligors and certain of their subsidiaries. However, there is no assurance that any mitigations measures will fully

mitigate the risk of a Borrower becoming (secondary) liable to CIT and/or TT of any other related company to any Borrower or Obligor.

Currently, the Borrowers together with the Obligors (and to a certain extent their subsidiaries) form a tax group for CIT and TT purposes with one of the Obligors (WOBA Holding GmbH) being the head of such CIT and TT group. A member of a CIT and/or TT group may be held (secondary) liable for all CIT respectively TT triggered by the activities of the other group members. In order to mitigate the risk that any of the Borrowers becomes part of an extended VAT group (i.e. with other VAT group members than the Borrowers and their subsidiaries), all Obligors (including the Borrowers) have undertaken not to form part of or become a member of any other tax group other than a member of (i) a VAT group, (ii) CIT group or (iii) TT group in each case made up solely of any of the Obligors and certain of their subsidiaries. However, there is no assurance that any mitigations measures will fully mitigate the risk of a Borrower becoming (secondary) liable to VAT of any other related company to any Borrower or Obligor.

German tax considerations related to the Issuer

With respect to the Issuer's liability for CIT and TT in Germany, there is no assurance that the Issuer will not be regarded as having its place of effective management and control or a permanent representative or any other kind of permanent establishment ("**PE**") in Germany, which will be determined by assessing the economic significance of functions performed by the Servicer in respect of the Issuer in Germany compared to functions performed by or in respect of the Issuer elsewhere.

If the Issuer were subject to CIT in Germany (the rate of which is currently 15.825 per cent, including the solidarity surcharge (*Solidaritätszuschlag*)), the interest barrier rule (Zinsschranke), which, in principle, is applicable to all debt financing and affects the deductibility of interest expenses for German tax purposes, might apply to the Issuer. Under the interest barrier rule, the effective interest expense deduction available to the Issuer would be limited to an amount which is equal to (a) the interest received by the Issuer in the same fiscal year plus (b) 30 per cent of the tax EBITDA (business earnings before interest, taxes, depreciation and amortisation). In this context, excess interest expense may be carried forward into the following fiscal years. However, the interest barrier rule does not apply if (1) the amount of interest expenses which exceeds the interest income in the relevant year (the annual negative interest balance – "**ANIB**") is less than € 3,000,000, (2) the Issuer is not fully consolidated in a group of companies and, inter alia, its finance and business policy cannot be managed jointly with one or several other businesses or (3) the Issuer is part of a group of companies, but its equity/asset ratio in its audited financial statements for the previous fiscal year is not lower than that for the entire group and no company in the group pays interest in an amount higher than 10 per cent of its ANIB to (i) a shareholder which holds more than 25 per cent of the share capital in a group company, (ii) a party related to such a shareholder or (iii) a third party with recourse against such a shareholder or related party thereto.

If the Issuer were subject to TT in Germany (rates of which range between 7 per cent to approx. 17 per cent depending on the municipality), the assessment base for TT purposes might be increased by 25 per cent of the deductible expenses incurred by the Issuer (including interest paid on the Notes) to the extent that such 25 per cent exceeded € 100,000. However, the Issuer might be in a position to benefit from the domestic banking and securitisation privilege set out in Section 19 of the Trade Tax Ordinance (*Gewerbesteuerdurchführungsverordnung*), pursuant to which the increase of the assessment base does not apply to a business which, and subject to certain further requirements, is a credit institution (*Kreditinstitut*) within the meaning of the German Banking Act (*Kreditwesengesetz*) or exclusively purchases loan receivables from a credit institution within the meaning of Section 1 of the German Banking Act (*Kreditwesengesetz*) and issues specific debt securities (*Schuldtitel*) in order to finance the purchase price for such loan receivables.

Even if the Issuer were not to have a PE in Germany, the Issuer will be subject to limited corporate income tax liability by virtue of earning interest secured by Land Charges on the Borrowers' real property according to Sec. 2 no. 1 of the German Corporation Income Tax Act (*Körperschaftsteuergesetz*) and Sec. 49 para 1 no. 5 lit. c) aa) German Income Tax Act (*Einkommensteuergesetz*). Therefore, the Issuer has to file a tax return in Germany. However, if the Issuer is resident in the United Kingdom for tax purposes such that it may enjoy tax treaty protection according to the double tax treaty between Germany and the United Kingdom currently in force, Article 11 of the aforementioned double taxation treaty assigns the exclusive right to impose (corporate) income tax on interest income to the country of residence of the owner of such interest income, i.e. the United Kingdom. The term "interest" in the context of Article 11 means interest payable on receivables on any kind (in particular (bonds, securities, notes, debentures or

any other form of indebtedness) whether or not secured by mortgages. Germany as the country of source under the German-United Kingdom double taxation treaty has forfeited its right to tax interest income. It should be noted that under German tax law, a domestic treaty-override provision exists, which may overrule the German-United Kingdom double taxation treaty, if the Issuer is regarded as not having "economic substance". If the treaty-override provision applies, interest income earned by the Issuer under the Loans would be subject to German CIT. In such a scenario, the Issuer might not be entitled to deduct interest payable under its debt financing (in particular under the Notes).

If the Issuer were subject to CIT and/or TT in Germany, there may not be sufficient funds in the Issuer Profit and Capital Account available for payments in respect of such tax liability and this would adversely affect its ability to make payments under the Notes or under the DACs.

In principle, the payments of interest under the Loans are not subject to German withholding tax, if the Issuer files a German tax return and fulfils its other obligations under German tax law. However, it is in the discretion of the German tax authorities, to request the Borrowers to apply withholding taxes if they assess such withholding as appropriate to secure Germany's tax claim on such income.

The German Investment Tax Act (*Investmentsteuergesetz*) may apply to the Notes if the Issuer is regarded as a foreign investment fund and the Notes qualify as an interest therein. In such circumstances, profits and capital gains earned by the Issuer would be subject to tax at the level of Noteholders being subject to German taxation, and such Noteholders might become subject to special penalty taxation on the basis of deemed income.

Since the Issuer is not German tax resident for German VAT purposes and should not have a German PE for German VAT purposes in Germany, its activities should not be subject to German VAT. In addition, the Issuer's other business activities should be German VAT exempt in Germany. German VAT exempt activities generally do not allow for the recovery of German input-VAT relating to services received from other entities or persons. Thus, the Issuer is not entitled to recover German input-VAT (if any, but including German VAT payable by the Issuer on the reverse charge basis) imposed on supplies received from other parties.

UK tax considerations related to the Issuer - Securitisation Company Tax Regime

The Taxation of Securitisation Companies Regulations 2006 (the "**TSC Regulations**") deal with the corporation tax position of securitisation companies such as the Issuer for accounting periods beginning on or after 1 January 2007 and take effect under the provisions of Chapter 4, Part 13 of the Corporation Tax Act 2010.

If the TSC Regulations apply to a company, then, broadly, it will be subject to corporation tax on the cash profit retained by it for each accounting period in accordance with the transaction documents. Based on advice received, the Issuer expects to be taxed under the special tax regime for which provision is made by the TSC Regulations.

Investors should note, however, that the TSC Regulations are in short-form and it is expected that advisors will rely significantly upon guidance from the UK tax authorities when advising on the scope and operation of the TSC Regulations including whether any particular company falls within this regime.

Prospective Noteholders and DACs holders should note that if the Issuer did not fall to be taxed under the regime provided for by TSC Regulations then its profits or losses for tax purposes might be different from its cash position and there might be a risk of the Issuer incurring unfunded tax liabilities. In addition, the interest paid on the Issuer's Notes could be disallowed for United Kingdom corporation tax purposes, which could cause a significant divergence between the cash profits and taxable profits of the Issuer. Any unforeseen taxable profits in the Issuer could have an adverse affect on its ability to make payments to the Noteholders or to the DACs holders.

United Kingdom Withholding Tax on the DACs

There is a degree of uncertainty as to whether the Issuer will be obliged to withhold United Kingdom income tax from payments which it makes on the DACs under the provisions of Part 15 of the Income Tax Act 2007. The Issuer therefore intends to seek clarification from HMRC as to whether it will be required to withhold United Kingdom income tax (at a current rate of 20 per cent.) from payments which it makes on the DACs. If the Issuer has not received confirmation (in form and substance satisfactory to

the Issuer) from HMRC at least five business days in advance of the first Note Payment Date that payments on the DACs may be made without withholding United Kingdom income tax, then it is expected that the Issuer will replace the Global Deferred Arrangement Fee Certificate with Definitive Deferred Arrangement Fee Certificates and that the Issuer will make payments on the DACs subject to withholding of United Kingdom income tax (at a current rate of 20 per cent.) save to the extent that a holder of Definitive Deferred Arrangement Fee Certificates is able to satisfy the Issuer that that holder is entitled to receive payments on its Definitive Deferred Arrangement Fee Certificates without such withholding (for example, because the holder of a Definitive Deferred Arrangement Fee Certificates benefits from an applicable exemption from United Kingdom withholding tax, such as those afforded under chapter 11 of Part 15 of the Income Tax 2007). If, on the other hand, the Issuer receives confirmation from HMRC that payments on the DACs may be made without withholding United Kingdom income tax then, subject to a subsequent change of United Kingdom law or HMRC practice, it will thereafter make payments on the DACs without such withholding to the extent provided for in that confirmation.

United Kingdom Stamp Duty on transfers of the DACs

United Kingdom stamp duty may be payable on any instrument transferring a Definitive Deferred Arrangement Fee Certificate or any interest in a Definitive Deferred Arrangement Fee Certificate (or on any memorandum of a transfer of a Definitive Deferred Arrangement Fee Certificate or any interest in a Definitive Deferred Arrangement Fee Certificate) and on any documentary agreement to transfer any interest in a DAC which falls short of a full legal and beneficial interest (or on any memorandum thereof). It is noted that (as described in United Kingdom Withholding Tax on the DACs above) the Definitive Deferred Arrangement Fee Certificates are expected to be issued in the event that the Issuer has not received confirmation (in form and substance satisfactory to the Issuer) from HMRC at least five business days in advance of the first Note Payment Date that payments on the DACs may be made without withholding United Kingdom income tax and in the other circumstances listed in items (i) and (ii) of the definition of DAC Exchange Event as set out in "*The Deferred Arrangement Fee Certificate - Issuance of Definitive Deferred Arrangement Fee Certificates*".

EU Savings Directive

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

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

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts to the Noteholders or to otherwise compensate the Noteholders for the reduction in the amounts that they will receive as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Taxation of

Savings Directive or any other directive implementing the conclusions of the ECOFIN Council Meeting of 26-27 November 2000 on the taxation of savings income.

U.S. Foreign Account Tax Compliance Withholding

Sections 1471 through 1474 of the U.S. Internal Revenue Code ("**FATCA**") impose a new reporting regime and potentially a 30 per cent withholding tax with respect to certain payments to any non-U.S. financial institution (a foreign financial institution, or "**FFI**" (as defined by FATCA)) that (i) does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service (IRS) to provide certain information on its account holders or (ii) is not otherwise exempt from or in deemed-compliance with FATCA. The new withholding regime will be phased in beginning in 2014 for payments received from sources within the United States and will apply to "foreign passthru payments" (a term not yet defined) no earlier than 2017.

After consultation with a number of potential partner countries, the United States has recently released a model intergovernmental agreement ("**model IGA**") to facilitate the implementation of FATCA. Pursuant to FATCA and the model IGA, an FFI in a signatory country could be treated as a deemed-compliant FFI, an exempt FFI or a "**Reporting FFI**" not subject to FATCA withholding on any payments it receives. It is not yet certain whether a Reporting FFI would be required to withhold on foreign passthru payments that it makes. A Reporting FFI would, however, be required to report certain information on its account holders to its home government. On 12 September 2012, the United States and the United Kingdom entered into an agreement (the "**US-UK IGA**") based largely on the model IGA.

The Issuer expects to be treated as a Reporting FFI pursuant to the US-UK IGA and does not anticipate being obliged to withhold any amounts under FATCA from payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FFI or that it would not be required to withhold under FATCA. The Issuer may be required to withhold amounts under FATCA (either as a Reporting FFI or because it becomes a Participating FFI) if an investor or person through which payments on the Notes is made is not able to receive payments free of withholding under FATCA. This withholding would apply to (i) any Note characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the date that is six months after the date on which final regulations that define "foreign passthru payments" are published or are materially modified after that date and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued.

If an amount in respect of FATCA withholding were to be deducted or withheld from interest, principal or other payments on the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes, be required to pay additional amounts as a result of the deduction or withholding of such tax. As a result, investors may, if FATCA is implemented as currently proposed by the IRS, receive less interest or principal than expected. If any FATCA withholding is imposed, a beneficial owner of Notes that is not a foreign financial institution generally will be entitled to a refund of any amounts withheld by filing a U.S. federal income tax return, which may entail significant administrative burden. A beneficial owner of Notes that is a foreign financial institution will be able to obtain a refund only to the extent an applicable income tax treaty with the United States entitles it to an exemption from, or reduced rate of, tax on the payment that was subject to withholding under FATCA.

If the Issuer is a Reporting FFI, it may be required under UK law implementing the US-UK IGA to collect certain information about Noteholders and report such information to the UK tax authorities. If the Issuer is unable to comply with these obligations because it is unable to obtain information about Noteholders, then it may cease to be treated as a Reporting FFI under the US-UK IGA. In this case, the Issuer could become subject to withholding on US source payments and "foreign passthru payments" received from other FFIs, which would reduce the amount of cash available for distribution to Noteholders.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on proposed regulations, official guidance and the US-UK IGA, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their own tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

THE ISSUER

The Issuer, Taurus 2013 (GMF1) plc, is a public limited liability company which was incorporated as a special purpose vehicle in England and Wales, under the Companies Act 2006 (as amended), on 7 November 2012 as Rockcover plc with registered number 08284229. It changed its name to Taurus 2013 (GMF1) plc on 5 February 2013. Its registered office and principal place of business are located at 35 Great St. Helen's, London EC3A 6AP.

The memorandum and articles of association of the Issuer may be inspected at the registered office of the Issuer (Telephone: +44 (0)207 398 6386).

Directors, secretary and corporate services

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

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

The Issuer is organised as a special purpose vehicle and will be largely passive, engaging only in the types of transactions described in this Prospectus. The Issuer will be managed and controlled by its directors in England and Wales; however, it is expected that, once the company is conducting business, it will require only a small amount of active management.

The directors of SFM Directors Limited (registered number 3920254), SFM Directors (No.2) Limited (registered number 4017430) and SFM Corporate Services Limited (registered number 3920255) as at the date of this Prospectus are Jonathan Keighley, Robert Berry, Helena Whitaker, J-P Nowacki, Claudia Wallace, Jocelyn Coad and Vinoy Nursiah, whose business addresses are 35 Great St. Helen's London EC3A 6AP, United Kingdom and who perform no other principal activities outside the Issuer which are significant with respect to the Issuer.

Fees are payable to Structured Finance Management Limited, an affiliate of SFM Directors Limited and SFM Directors (No. 2) Limited pursuant to and in accordance with the terms of a corporate services agreement (the "**Issuer Corporate Services Agreement**"). The Issuer is aware that the payment of such fees and the appointment of such directors may result in potential conflicts of interests between the duties owed to it and the private interests of its board of directors.

The secretary of the Issuer is:

<u>Name</u>	<u>Business Address</u>
SFM Corporate Services Limited	35 Great St. Helen's London EC3A 6AP

Principal activities

The Issuer's principal activities are principally the advancement of the Loans pursuant to the Facility Agreement, the obtaining of bridge financing on the Original Facility Date to fund the advancement of monies under the Loans and the issue of the Notes on the Closing Date to repay the bridge financing, the execution and performance of Issuer Transaction Documents and the Finance Documents, execution and performance of all documents relating thereto to which it is expressed to be a party, the exercise of related rights and powers and other activities reasonably incidental thereto. In addition, on the Closing Date, the Issuer will issue the DACs.

Insolvency Matters Relating to the Issuer

The Issuer has been organised, and its activities are limited, to minimise the likelihood of insolvency proceedings being commenced against the Issuer and to minimise the likelihood that there would be claims against the Issuer if insolvency proceedings were commenced against it. The Issuer has not

engaged in and will not engage in any activity other than the business and activities described or referred to in this Prospectus.

Share capital

The Issuer was incorporated with an authorised share capital of £50,000, comprising 50,000 ordinary shares of £1 each. One ordinary share was allotted for cash, and fully paid, on incorporation. On 5 February 2013, 49,999 ordinary shares were resolved to be allotted and on 11 February 2013 were each quarter paid. All the shares are held by Taurus 2013 (GMF1) Holdings Limited ("**Holdco**"). The entire issued share capital of Holdco is held by SFM Corporate Services Limited (the "**Share Trustee**") under the terms of a declaration of trust made by the Share Trustee on 11 February 2013 ("**Holdings Share Declaration of Trust**"). Any income or capital held by the Share Trustee under the Holdings Share Declaration of Trust is to be applied to or for the benefit of certain discretionary trusts.

There are no other outstanding securities, loans or subscriptions, allotments or options in respect of the Issuer other than set out below in "*Financial position of the Issuer*".

Financial position of the Issuer

The Issuer has not traded since its incorporation on 7 November 2012 other than borrowing under a term loan agreement with Bank of America, N.A, London Branch in order to finance its lending under the Facility Agreement. There has been no material adverse change in the financial position or prospects of the Issuer since the date of the Issuer's incorporation. No financial statements have been produced as at the date of this Prospectus.

Legal proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months before the date of this Prospectus which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.

Securitised Assets

The Issuer confirms that the securitised assets backing the issue of the Notes, namely the Loans advanced pursuant to the Facility Agreement, have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Notes. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of the Prospectus and may be affected by future performance of such securitised asset. Consequently, investors are advised to review carefully the disclosure in the Prospectus together with any amendments or supplements thereto and other documents incorporated by reference in the Prospectus.

USE OF PROCEEDS

The net proceeds from the issue of the Notes will be approximately €1,074,800,000 and will on the Closing Date be used in order to repay a bridge financing facility entered into on the Original Facility Date to fund the advancement of monies under the Loans.

HSBC BANK PLC

HSBC Bank plc and its subsidiaries form a UK-based group providing a comprehensive range of banking and related financial services.

HSBC Bank plc (formerly Midland Bank plc) was formed in England in 1836 and subsequently incorporated as a limited company in 1880. In 1923, the company adopted the name Midland Bank Limited which it held until 1982 when it re-registered and changed its name to Midland Bank plc.

During the year ended 31 December, 1992, Midland Bank plc became a wholly owned subsidiary undertaking of HSBC Holdings plc, whose Group Head Office is at 8 Canada Square, London E14 5HQ. HSBC Bank plc adopted its current name, changing from Midland Bank plc, in the year ended 31 December, 1999.

The HSBC Group is one of the largest banking and financial services organisations in the world, with around 6,600 offices in 81 countries and territories in six geographical regions: Europe; Hong Kong; Rest of Asia-Pacific; Middle East and North Africa; North America and Latin America. Its total assets at 31 December 2012 were U.S.\$2,693 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short term senior unsecured and unguaranteed obligations of HSBC Bank plc are, as at the date of this Prospectus, rated P-1 by Moody's, A-1+ by S&P and F1+ by Fitch and the long term senior, unsecured and unguaranteed obligations of HSBC Bank plc are currently rated Aa3 by Moody's, AA- by S&P and AA- by Fitch.

HSBC is regulated pursuant to the Financial Services and Markets Act 2000 and is authorised by the Prudential Regulation Authority and is regulated by the Financial Conduct Authority and the Prudential Regulation Authority. HSBC Bank plc's principal place of business in the United Kingdom is 8 Canada Square, London E14 5HQ.

**U.S. BANK TRUSTEES LIMITED AND ELAVON FINANCIAL SERVICES LIMITED,
LONDON BRANCH**

U.S. Bank Trustees Limited

U.S. Bank Trustees Limited is a limited liability company incorporated under the laws of England and Wales with its office at 125 Old Broad Street, London, EC2N 1AR, United Kingdom.

U.S. Bank Trustees limited, as part of the U.S. Bancorp group and in combination with Elavon Financial Services Limited (the legal entity through which European agency and banking appointments are conducted) and U.S. Bank National Association, (the legal entity through which the Corporate Trust Division conducts business in the United States), is one of the world's largest providers of trustee services with more than \$4 trillion in assets under administration in municipal, corporate, asset-backed and international bonds. The division provides a wide range of trust and agency services such as calculation/paying agent, collateral administration and document custody through its network of 48 U.S.-based offices, an Argentinean office and European offices in London and Dublin.

U.S. Bancorp (NYSE: USB), with \$354 billion in assets as of December 31, 2012, is the parent company of U.S. Bank, the 5th largest commercial bank in the United States. The Company operates 3,084 banking offices in 25 states and 5,065 ATMs and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses and institutions.

Elavon Financial Services Limited, London Branch

U.S. Bank Global Corporate Trust Services, which is a trading name of Elavon Financial Services Limited (a U.S. Bancorp group company), is an integral part of the worldwide Corporate Trust business of U. S. Bank. U.S. Bank Global Corporate Trust Services in Europe conducts business primarily through the U.K. Branch of Elavon Financial Services Limited from its offices in London at 125 Old Broad Street, London EC2N 1AR, United Kingdom.

Elavon Financial Services Limited is a bank incorporated in Ireland and a wholly owned subsidiary of U.S. Bank National Association. Elavon Financial Services Limited is authorised by the Central Bank of Ireland and the activities of its U.K. Branch are also subject to the limited regulation of the U.K. Financial Conduct Authority.

SITUS ASSET MANAGEMENT LIMITED

Situs Asset Management Limited is a limited liability company incorporated under the laws of England and Wales with its offices at 33 Gracechurch Street, London, EC3V 0BT, United Kingdom.

Situs Asset Management Limited is part of Situs Holdings LLC. In October 2011, Helios AMC, LLC acquired The Situs Companies LLC. Shortly thereafter, the name of Helios AMC, LLC was changed to Situs Holdings, LLC.

Since 1985, Situs has provided commercial real estate advisory, due diligence and business solutions to the lending and real estate industries. Situs has offices located across the United States of America and Europe (including San Francisco, New York, Houston, London, Copenhagen, Frankfurt and Dublin).

Situs currently services and asset manages in excess of €22 billion of commercial real estate debt through its European platform. The company also provides real estate advisory, due diligence and underwriting services to clients in Europe.

THE GAGFAH GROUP

THE GROUP

General information about and corporate history of the GAGFAH Group

Each of the Borrowers is ultimately controlled by GAGFAH S.A. ("**GAGFAH**"). GAGFAH is a joint stock corporation (*société anonyme*) organised under the laws of the Grand Duchy of Luxembourg, qualifying as a securitisation company under the Luxembourg Securitisation Law of 22 March 2004. Together with its subsidiaries (the "**GAGFAH Group**"), its core business is the ownership and management of a geographically diversified residential property portfolio throughout Germany.

The roots of GAGFAH can be traced back to Gemeinnuetzige Aktien-Gesellschaft für Angestellten-Heimstätten ("**GAGFAH AG**"). GAGFAH AG was established by several employee associations in Berlin in 1918. Since 1953, the German Federal Insurance Agency for Employees (*Bundesversicherungsanstalt für Angestellte*), Berlin (now part of the integrated German Social Security Insurance Authority (*Deutsche Rentenversicherung*)) has held the majority of the shares in GAGFAH AG. In 2004, funds managed by Fortress Investment Group and its affiliates and a foreign minority co-investor acquired a majority of the GAGFAH Group, which, as of 30 June 2006, owned approximately 76,500 residential units. A single share in the nominal value of €100 was retained by the former majority shareholder, the German Federal Insurance Agency for Employees.

Shortly after the purchase of all the remaining share capital in GAGFAH AG, the legal form of GAGFAH AG was converted from a stock corporation (*Aktiengesellschaft*) to a German company with limited liability (*Gesellschaft mit beschränkter Haftung*) and in this context changed its name to GAGFAH GmbH. The articles of association of GAGFAH GmbH grant to the German Federal Insurance Agency for Employees certain rights linked to the German Federal Insurance Agency for Employees' minority equity interest (with the nominal value of €100). Consequently, certain business decisions, including, but not limited to, "critical measures" relating to the sale of real estate, the termination of lease agreements and certain other measures require the consent of the German Federal Insurance Agency for Employees.

Since 2006, GAGFAH has acquired and integrated more than 100,000 units in approximately 27 different transactions. In recent years, the GAGFAH Group has been more active in pursuing sales of its portfolio than on acquisitions.

As at the date of this Prospectus, the GAGFAH Group portfolio includes approximately 145,000 own residential units and an additional 40,000 units under property and facility management for third parties. The size of its portfolio makes GAGFAH the largest residential property company publicly listed in Germany. GAGFAH believes that the GAGFAH Group's size, geographic diversity and scalable operating platform make GAGFAH one of the leading providers of low-to-mid-cost housing in Germany. GAGFAH's operating subsidiaries are full-scale service providers for a broad range of property and facility management services with a clear focus on residential properties in Germany.

The GAGFAH Group's portfolio is located throughout Germany with significant concentrations in Dresden, Berlin and Hamburg. As of the date of this Prospectus, GAGFAH Group's portfolio is comprised of apartments with a total of almost nine million square meters. The average apartment size is ca. 61 square meters. Approximately 21,400 units (ca. 15 per cent.) are publicly subsidised, rent-restricted apartments. The average construction year for its portfolio is 1964, with the majority of its buildings built between the mid 1950s and the mid 1970s. GAGFAH Group's portfolio is characterised by a stable tenant base with an average tenant tenure of 11.5 years and a fluctuation rate of 11.7 per cent.

In addition to GAGFAH's core residential apartment portfolio, the GAGFAH Group owns approximately 1,600 commercial units, primarily retail stores located on the ground floor of its residential apartment buildings, and approximately 30,400 parking spaces, which typically belong to GAGFAH's residential apartment buildings.

Prospective investors in the Notes should note that only the Portfolio will stand as security for the Loans and, ultimately, the Notes. The Portfolio is a sub-portfolio of the overall property portfolio of the GAGFAH Group, which consists solely of the Properties held by the Borrowers. See "*The Portfolio*".

Organisational structure

The organisational structure of the GAGFAH Group is closely linked to its core business of real estate management, sales and acquisitions.

Real estate management

GAGFAH's scalable operating platform is structured to manage its assets in an efficient manner. GAGFAH operates through a streamlined operational network of 19 customer centres in two regions. Each customer centre is located in close proximity to its dedicated portfolio and tenants. The responsibilities of GAGFAH's locally focused customer centres include, inter alia, rent collection, new leases, lease renewals and other tenant-related issues as well as the full range of all other property management and a large number of facility management activities. GAGFAH's customer centres concluded more than 17,200 new lease agreements in 2012.

GAGFAH's on-site caretakers perform almost half of all repair and maintenance work as well as the typical facility management tasks, such as gardening and snow removal. These caretakers are responsible for the day-to-day maintenance of GAGFAH's properties and in particular, tenant care and customer services. The nationwide network of GAGFAH's customer centres and caretakers provides GAGFAH with real-time information and direct knowledge of the needs of its tenants, supporting GAGFAH's continuous efforts to attract and retain tenants. This allows GAGFAH to maintain an in-depth knowledge of the regional residential markets in Germany and to make GAGFAH's property investment decisions based on a comprehensive understanding of GAGFAH's assets and the specific sub-markets in which GAGFAH operates. All of the GAGFAH Group's corporate functions, such as human resources, accounting, controlling and treasury, have been centralised.

Sales

GAGFAH generally sells its residential properties via one of two sales channels: (i) condo sales: the sale of individual apartments (single-unit sale) or the sale of small multi-family homes to tenants or retail-investors; and (ii) block sales: the sale of a larger number of units to institutional buyers.

GAGFAH has had a clear focus on its block sales efforts during the past three years. For example, GAGFAH has sold the vast majority of the residential units held within the HB Funds in which GAGFAH was the majority owner. GAGFAH has also carried out several larger transactions that were either largely opportunistic (such as the sale of approximately 4,800 units in Berlin in the second half of 2011) or that were made with a view towards liquidating assets at close to their carrying value and thereby reducing GAGFAH's overall debt volume (such as the block sale of most of GAGFAH's Bocholt assets at the end of 2012).

Going forward, GAGFAH will focus its sales efforts on condo sales, but will continue to seek out opportunities for block sales, in furtherance of GAGFAH's aim to reduce its overall debt amount and optimise its portfolio.

The Properties in the Portfolio could also be subject to sales in the future, subject to restrictions as set out in the Dresden and Zwickau Social Charta and, additionally, subject to the repayment obligations as set out in the Facility Agreement.

Acquisitions

Since the inception of GAGFAH in 2006, GAGFAH has acquired and integrated more than 100,000 units in approximately 27 different transactions. During the last few years, due to factors such as GAGFAH's shares trading at a significant discount to its net asset value and its refinancing efforts in the environment of a volatile global economy, the GAGFAH Group has been more active in pursuing sales of its portfolio than acquisitions.

Upon completing the refinancing of its debts maturing in 2013, GAGFAH intends to again seek out acquisition opportunities to continue to expand its portfolio and to increase its cost efficiencies by acquiring and integrating additional assets into its portfolio.

Strengths

The GAGFAH Group believes that the combination of its size, geographic diversity across Germany, scale of operations and reputation as a respected German trade buyer makes it a strong player in the residential real estate market in Germany. The GAGFAH Group has developed an in-depth knowledge of regional residential markets which enables it to identify, evaluate and efficiently manage portfolios in all key markets throughout Germany, and gives it a competitive advantage over smaller or less diversified property companies, funds or investors.

Strategy

The GAGFAH Group's core strategy is: (i) to create sustainable and increasing cash-flows out of the existing asset-base (rent, occupancy, property costs, platform); (ii) to invest in value enhancing portfolio properties; (iii) to pursue accretive growth opportunities; and (iv) to realise value through asset sales.

Management structure

Board of Directors

GAGFAH is managed by a Board of Directors that is currently composed of seven directors.

Jonathan Ashley (Chairman)

Jonathan Ashley is a managing director of Fortress in charge of the private equity business in Europe. He joined Fortress in May 1998, prior to which he worked at UBS and, from April 1996 to May 1997, at BlackRock. Prior to that, Mr. Ashley worked at Morgan Stanley, Inc. in its real estate investment banking group. Prior to Morgan Stanley, Mr. Ashley was in the structured finance group at the law firm of Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Ashley received a BA in History from Tufts University and a JD from the University of Pennsylvania Law School. Mr. Ashley has extensive experience in real estate investment activities and has been working with GAGFAH on behalf of Fortress Investment Group LLC since the acquisition by affiliates of Fortress of the original GAGFAH portfolio in 2004. In particular, he has been involved in all of its debt and equity transactions.

Dr. Jürgen Allerkamp (Vice Chairman)

Dr. Jürgen Allerkamp was appointed member of the Board in October 2006. Until recently, Dr. Allerkamp was Chairman of the Board of Deutsche Hypothekenbank AG, a subsidiary of NORD/LB. Prior to that position Dr. Allerkamp was a member of the management board of NORD/LB for 12 years, where he was mainly responsible for Treasury, Organisation and IT. Before joining NORD/LB, Dr. Allerkamp was an attorney at WestLB and later worked for the Savings and Loan Bank of Dresden, where he was appointed to the management board in 1993. Dr. Allerkamp has degrees in legal and political science. Dr. Allerkamp is an Independent Director of GAGFAH.

Thomas Zinnöcker

Thomas Zinnöcker was appointed as member of the Board of Directors of GAGFAH S.A. and CEO of the GAGFAH GROUP, effective as of 16 April 2013. Prior to his GAGFAH appointment, Mr. Zinnöcker served as the Chief Executive Officer of GSW Immobilien AG, which he took public in May 2011 and turned into one of the leading listed property companies in Germany. Before his work for GSW, Mr. Zinnöcker served in leading positions especially in the real estate industry, including Chief Restructuring Officer for Deutsche Telekom Immobilien und Service GmbH, Chief Financial Officer and then Chief Executive officer for Krantz TKT GmbH, Head of Strategic Controlling at Deutsche Babcock AG and various senior positions within the AEG Group.

Wesley R. Edens

Wesley R. Edens is a principal and Co-Chairman of the Board of Directors of Fortress Investment Group LLC. Mr. Edens has been Co-Chairman of the Board of Directors since August 2009 and a member of the Board of Directors of Fortress since November 2006. Mr. Edens has been a member of the Management Committee of Fortress since 1998. Mr. Edens is responsible for the Company's private equity and publicly traded alternative investment businesses. Prior to co-founding Fortress in 1998, Mr. Edens was a partner and managing director of BlackRock Financial Management Inc., where he headed BlackRock

Asset Investors, a private equity fund. In addition, Mr. Edens was formerly a partner and managing director of Lehman Brothers. Mr. Edens is Chairman of the Board of Directors of each of Aircastle Limited, Brookdale Senior Living Inc., Eurocastle Investment Limited, GateHouse Media Inc., Newcastle Investment Corp. and RailAmerica Inc. and a director of Penn National Gaming Inc. Mr. Edens was Chief Executive Officer of Global Signal Inc. from February 2004 to April 2006 and Chairman of the Board of Directors from October 2002 to January 2007. Mr. Edens previously served on the board of Crown Castle Investment Corp. (merged with Global Signal Inc.) from January 2007 to July 2007. Mr. Edens received a B.S. in Finance from Oregon State University.

Randal A. Nardone

Randal A. Nardone is a principal and has been a member of the Board of Directors of Fortress Investment Group LLC since November 2006. Mr. Nardone has been a member of the Management Committee of Fortress since 1998. Prior to co-founding Fortress in 1998, Mr. Nardone was a managing director of UBS from May 1997 to May 1998. Before joining UBS in 1997, Mr. Nardone was a principal of BlackRock Financial Management, Inc. Prior to joining BlackRock, Mr. Nardone was a partner and a member of the executive committee at the law firm of Thacher Proffitt & Wood. Mr. Nardone is a director of Alea Group Holdings (Bermuda) Ltd. and Eurocastle Investment Limited.

Dieter H. Ristau

Dieter H. Ristau was appointed member of the Board in October 2006. Prior to joining the GAGFAH Group, Dieter H. Ristau was Chief Executive Officer of Allianz Global Investors Luxembourg S.A. and Chairman of the Board of Dresdner International Management Services Ltd., Ireland and Dresdner Fund Administration Ltd., Cayman Islands. Mr. Ristau occupies several non-executive directorships in Investment Management Companies in Luxembourg, i.e. of Companies related to Feri Group (Bad Homburg). Mr. Ristau is an Independent Director of GAGFAH.

Yves Wagner, Ph.D.

Yves Wagner, Ph.D., was appointed member of the Board in October 2006. He is an Associate of The Directors' Office, the leading practice of independent Directors in Luxembourg. He has both an academic and professional career. He is Doctor of Economic Science and started working as a university professor. After a strong career within the Fortis Group, he co-founded "The Directors' Office". As an independent director today, he still teaches or holds chairs at different Universities and Business Schools, such as the University of Luxembourg, the Institut de Formation Bancaire, the Agence pour le Transfert de Technologies Financières and the Académie Bancaire Européenne. He is an advisor in research to the Luxembourg School of Finance. Mr. Wagner is also the President of the Luxembourg Society of Financial Analysts. Mr. Wagner is an Independent Director of GAGFAH.

Senior Management of GAGFAH's subsidiaries

GAGFAH's operational subsidiaries in Germany are led by the senior management. Members of the senior management are responsible for the day-to-day management of the business.

The senior management comprises three members. Each member is responsible for certain activities and branches of the business, with joint management responsibility for the business as a whole.

The following three persons comprise the senior management:

Thomas Zinnöcker (Chief Executive Officer)

Thomas Zinnöcker was appointed as member of the Board of Directors of GAGFAH S.A. and CEO of the GAGFAH GROUP, effective as of 16 April 2013. Prior to his GAGFAH appointment, Mr. Zinnöcker served as the Chief Executive Officer of GSW Immobilien AG, which he took public in May 2011 and turned into one of the leading listed property companies in Germany. Before his work for GSW, Mr. Zinnöcker served in leading positions especially in the real estate industry, including Chief Restructuring Officer for Deutsche Telekom Immobilien und Service GmbH, Chief Financial Officer and then Chief Executive officer for Krantz TKT GmbH, Head of Strategic Controlling at Deutsche Babcock AG and various senior positions within the AEG Group.

Gerald Klinck (Chief Financial Officer)

Gerald Klinck, who has a degree in Business Administration (*Diplom-Kaufmann*), has been with the GAGFAH Group since April 2011 and started out as Head of Treasury. On November 16, 2012, Mr. Klinck was appointed as CFO of the GAGFAH Group. Gerald Klinck has held various positions in the real estate industry for 14 years now. He started his career at HSH Nordbank AG in June 1997. There, he was part of the project management of the GEHAG and LEG Schleswig-Holstein joint venture. In October 2002, he became head of the organisational unit, Shareholdings. One year later, he was appointed CFO of HSH N Real Estate Consulting GmbH. From 2006, Gerald Klinck was employed at GEHAG GmbH (wholly-owned subsidiary of Deutsche Wohnen AG) and became Head of Corporate Controlling and Planning. He was subsequently appointed Head of Corporate Controlling and Planning at Deutsche Wohnen AG. In the summer of 2009, he became a member of the Executive Board of Deutsche Wohnen AG.

Nicolai Kuß (Chief Operating Officer)

Nicolai Kuß studied Business Administration at the European Business School (ebs) in Oestrich-Winkel, the Ecole Supérieure de Commerce in Clermont-Ferrand, France and at the James Madison University in Harrisonburg, Virginia, USA and graduated as a Diplom Kaufmann (Business Administration degree, similar to MBA). Nicolai Kuß has been working in various positions in real estate business for more than ten years. After working as senior consultant for Arthur Andersen and Ernst&Young Real Estate for four years, he has been responsible for asset and investment management of residential property investments in the Fortress Investment Group in Germany since 2004. On 20th March 2009, he was appointed to the management of GAGFAH as Chief Operating Officer. Nicolai Kuß manages the operational business of GAGFAH. Since August 1, 2012, he has also been responsible for acquisitions and sales.

THE BORROWERS AND GUARANTORS

Borrowers and Guarantors

WOBA DRESDEN GmbH

WOBA DRESDEN GmbH was formed as a German limited liability company on 16 July 2003 and is registered at the local court (*Amtsgericht*) of Dresden under registration number HRB 22087, having its registered seat of business at Dresden, Germany and its business address at Ostra- Allee 9, 01067 Dresden, telephone no. +49 (0)201 17510. It has a registered share capital in the nominal amount of €15,000,000.

The company's registered purpose (*Unternehmensgegenstand*) is to acquire, to hold and manage and to sell participations in companies in the housing and real estate industry as well as to establish such companies and to render further services in the housing and real estate industry.

SÜDOST WOBA DRESDEN GmbH

SÜDOST WOBA DRESDEN GmbH was formed as a German limited liability company on 20 June 1991 and is registered at the local court (*Amtsgericht*) of Dresden under registration number HRB 2649, having its registered seat of business at Dresden, Germany and its business address at Ostra- Allee 9, 01067 Dresden, telephone no. +49 (0)201 17510. It has a registered share capital in the amount of DEM 100,000,000. Under German law, all companies founded after 31 December 2001 are obliged to denominate their share capital in € (cf. section 5 Limited Liability Companies Act (GmbHG)). Companies which have been founded and registered up to 31 December 2001 are free to keep their registered share capital denominated in DEM (section 1 paragraph 1 sentence 1 of the Introductory Act to the Limited Liability Companies Act (EGGmbHG)). However, the company has to change its registered share capital denominated in DEM over to € if any changes in the share capital occur after 31 December 2001.

In the case of SÜDOST WOBA DRESDEN GmbH, this means that it does not have to change the current denomination of its registered share capital in DEM to € as long as there are no changes in the share capital. The company's registered purpose (*Unternehmensgegenstand*) is the construction and lease of buildings, including all activities corresponding to real estate.

WOHNBAU NORDWEST GmbH

WOHNBAU NORDWEST GmbH was formed as a German limited liability company on 20 June 1991 and is registered at the local court (*Amtsgericht*) of Dresden under registration number HRB 2648, having its registered seat of business at Dresden, Germany and its business address at Ostra- Allee 9, 01067 Dresden, telephone no. +49 (0)201 17510. It has a registered share capital in the amount of €51,155,900. The company's registered purpose (*Unternehmensgegenstand*) is the construction and lease of buildings including all activities corresponding to real estate.

Liegenschaften Weißig GmbH

Liegenschaften Weißig GmbH was formed as a German limited liability company on 21 June 1993 and is registered at the local court (*Amtsgericht*) of Dresden under registration number HRB 8701, having its registered seat of business at Dresden, Germany and its business address at Ostra- Allee 9, 01067 Dresden, telephone no. +49 (0)201 17510. It has a registered share capital in the amount of €25,700. The company's registered purpose (*Unternehmensgegenstand*) is the purchase of properties, its site utilisation, the preparation, building and execution of building projects as well as the following sale. It also includes the sale and lease of units for commercial and non-commercial purposes.

Directors of the Borrowers

The current managing directors of the each of the Borrowers are Thomas Zinnöcker (Chief Executive Officer), Nicolai Kuß (Chief Operating Officer), and Gerald Klinck (Chief Financial Officer), each with business address at Ostra- Allee 9, 01067 Dresden, Germany.

Thomas Zinnöcker is also a member of the Board of Directors of GAGFAH S.A. Due to the dual mandate, a conflict of interest in the structuring of business relationships between GAGFAH S.A. and the Obligors, and a disadvantageous exercise of influence over the Borrowers' business, cannot be excluded.

To the extent that conflicts of interest occur, the relevant member deals with these in a responsible manner which is in accordance with the legal requirements. Insofar as the Issuer is aware and is able to ascertain from information published by the Borrowers, there are no conflicts of interest or potential conflicts of interest in relation to the remaining members of the board of directors of the Borrowers with respect to the Borrowers and their private interest and/or other duties.

Auditors

The auditor of each of the Borrowers for the fiscal years ended 31 December 2011 and 2012 is Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft ("**E&Y**"), Mittlerer Pfad 15, 70499 Stuttgart, Germany. E&Y is a member of the Institute of German Professionally Qualified Auditors (*Institut der Wirtschaftsprüfer in Deutschland e.V.*).

There has been no material adverse change in the prospects of the Borrowers and no significant change in the consolidated financial or trading position of the Borrowers since 31 December 2012.

Proceedings

None of the Borrowers is or has been engaged in or, so far as each Borrower is aware, has pending or threatened, any governmental, legal or arbitration proceedings which may have, or have had, a significant effect on any Borrower's financial position or profitability during the 12 months preceding the date of this Prospectus, except as described elsewhere in this Prospectus.

Guarantors

WOBA Holding GmbH

WOBA Holding GmbH was formed as a German limited liability company on 7 February 2006 and is registered at the local court (*Amtsgericht*) of Dresden under registration number HRB 25614, having its registered seat of business in Dresden, Germany and its business address at Ostra- Allee 9, 01067 Dresden, telephone no. +49 (0)201 17510. It has a registered share capital in the amount of €25,000.

The company's registered purpose (*Unternehmensgegenstand*) is the acquisition, the holding and the administration of interests in other companies in Germany and abroad, in particular, in WOBA DRESDEN GmbH, as well as the management of all companies in which the company holds all or the majority of shares or with respect to which it is in a position to control the casting of the majority of votes, including the performance of management, administrative, financial and organisational services as well as the coordination of the business policy and the financing of the companies.

Bau- und Siedlungsgesellschaft Dresden mbH

Bau- und Siedlungsgesellschaft Dresden mbH was formed as a German limited liability company on 8 January 1992 and is registered at the local court (*Amtsgericht*) of Dresden under registration number HRB 4730, having its registered seat of business at Dresden, Germany and its business address at Ostra- Allee 9, 01067 Dresden, telephone no. +49 (0)201 17510. It has a registered share capital in the amount of €25,600. The company's registered purpose (*Unternehmensgegenstand*) is the purchase and building of property, administration of own and foreign property for lease, construction of residential buildings for their sale and the administration of flats on behalf of third parties, services for preservation of property and flats as well as the lease, construction, purchase as well as the sale and lease of units for commercial purposes.

PRESENTATION OF FINANCIAL INFORMATION

Audited Financial Information

The financial statements of WOBA DRESDEN GmbH, SÜDOST WOBA DRESDEN GmbH, WOHNBAU NORDWEST GmbH and Liegenschaften Weißig GmbH for the financial years ending 31 December 2012 and 31 December 2011 are set out at Appendices 2 to 9.

Unaudited Combined Summary Financial Information

The Unaudited Combined Financial Information included in this Prospectus are for the Obligors and the WOBA Group companies providing security interest to the Borrower Security Trustee, namely WOBA Holding GmbH, WOBA DRESDEN GmbH, Immo Service Dresden GmbH, Bau- und Siedlungsgesellschaft Dresden GmbH, SÜDOST WOBA DRESDEN GmbH, WOHNBAU NORDWEST GmbH, Liegenschaften Weißig GmbH.

The Unaudited Combined Financial Information contains income statement, balance sheet, cash flow statement and operating cash flow information only and does not include other primary statements or related notes. The Unaudited Combined Financial Information is not combining the financial information of all the WOBA Group subsidiaries and therefore may not provide a representation of the WOBA Group as complete and accurate as consolidated audited accounts for the WOBA Group would normally provide.

The Unaudited Combined Financial Information is presented for illustrative purposes only and may not present what the group of Obligors and the WOBA Group companies providing a security interest actual results of operations would have been had (i) these Obligors and the WOBA Group companies operated as a combined commercial group during the periods presented in the Unaudited Combined Financial Information and (ii) audited consolidated financial statements of the Obligors and the WOBA Group companies as a consolidated group been prepared for the periods presented in accordance with IFRS.

	<u>FY 2011 (€)million</u>	<u>FY 2012 (€)million</u>
Income from the leasing of investment property	185.3	186.1
Operating expenses	(91.1)	(94.7)
Profit from leasing if investment property	94.2	91.4
Profit from sale of investment property & assets held for sale	0.2	1.0
Result from fair value measurement of investment property	1.8	0.0
Profit from the sale of property development projects	0.0	0.0
Result from other services	1.6	1.9
Selling expenses (excl. share-based remuneration)	(2.4)	(2.3)
G&A expenses (excl. share-based remuneration)	(3.3)	(3.2)
Expenses for / Income from share-based remuneration	(0.0)	(0.0)
Other operating income	2.9	4.5
Other operating expenses	(50.4)	(1.7)
Profit from operations before reorganisation and restructuring expenses	44.4	91.6
Reorganisation and restructuring expenses	(2.7)	(0.3)
Profit from operations	41.8	91.3
Result from other financial assets	0.0	0.0
Earnings Before Interest and Tax	41.8	91.3
Interest expenses	(54.7)	(52.6)
Interest income	10.5	8.9
Other Interest expenses	(0.0)	(0.0)
Earnings before Tax	(2.4)	47.6
Income tax	(2.1)	(11.9)
Profit from continued operations	(4.5)	35.6
Income/expenses from profit or loss transfer agreements	(1.2)	(0.8)
Net Profit/(Loss)	(5.8)	34.8

Unaudited Combined Balance Sheet Information

	<u>FY 2011 (€)million</u>	<u>FY 2012 (€)million</u>
Non-Current Assets		
Investment property	1,771.1	1,769.2
Property, plant & equipment	0.6	0.5
Other financial assets	48.5	48.5
	1,820.3	1,818.2
Current Assets		
Inventories	0.1	1.3
Financial receivables & other financial assets	269.7	59.3
Receivables	4.6	2.2
Other assets	8.4	3.9
Current tax claims	0.4	0.4
Bank balances & cash on hand	35.9	39.8
	319.1	106.8
Assets held for sale	0.2	1.5
TOTAL ASSETS	2,139.5	1,926.5
Equity and Liabilities		
Subscribed capital	(117.4)	(117.4)
Share premium	(951.3)	(688.9)
Legal reserve	(98.0)	(98.0)
Revenue reserves	387.5	352.7
Minority interest	(46.1)	(46.7)
Total equity	(825.2)	(598.1)
Non-current liabilities		
Pension provisions	(182.4)	(0.2)
Other provisions	(2.0)	(1.5)
Deferred tax liabilities	(125.5)	(134.0)
Liabilities from income tax	0.0	0.0
Financial liabilities	(1,042.5)	0.0
Other liabilities	(26.6)	(23.6)
Deferred liabilities from government-granted loans	(0.6)	0.0
	(1,197.3)	(159.2)
Current liabilities		
Pension provisions	(0.0)	(0.0)
Other provisions	(29.0)	(13.3)
Liabilities from income tax	(3.8)	(6.1)
Financial liabilities	(58.6)	(1,119.5)
Other liabilities	(25.4)	(30.2)
Deferred liabilities from government-granted loans	(0.2)	0.0
	(117.0)	(1,169.2)
Total Liabilities	(1,314.3)	(1,328.4)
TOTAL EQUITY & LIABILITIES	(2,139.5)	(1,926.5)

Unaudited Combined Cash Flows Statement Information

	<u>FY 2011 (€)million</u>	<u>FY 2012 (€)million</u>
Operating Activities		
Net Profit	(5.8)	34.8
Change in value of investment properties	(1.8)	(0.1)
Amortisation, depreciation & impairment losses on intangible assets, property, plant & equipment	0.2	0.2
Gains/Losses on disposal of investment properties	(0.2)	(1.0)

	FY 2011 (€)million	FY 2012 (€)million
Other non-cash income/expenses	3.0	7.8
Financing cost	40.1	39.0
Change in provisions, pension provisions & deferred liabilities from government granted loans	7.0	(17.0)
Change in deferred taxes	3.1	8.4
Change in working capital	27.4	4.7
CASH FLOWS FROM OPERATING ACTIVITIES	73.0	76.8
Investing Activities		
Cash received from the sale of investment properties	27.0	3.3
Disbursement of loans	(44.6)	1.1
CASH FLOWS FROM INVESTING ACTIVITIES	(17.6)	4.4
Financing Activities		
Cash repayments of financial liabilities	(36.1)	(38.2)
Financing cost	(40.1)	(39.0)
CASH FLOWS FROM FINANCING ACTIVITIES	(76.2)	(77.2)
Change in Cash and Cash Equivalent	(20.8)	4.0
BANK BALANCES & CASH ON HAND	36.0	40.0

Unaudited Summary Operating Cash Flows Information (Core Portfolio)

Unaudited combined operating cash flow information for WOBA DRESDEN GmbH, Immo Service Dresden GmbH, Bau- und Siedlungsgesellschaft Dresden GmbH, SÜDOST WOBA DRESDEN GmbH, WOHNBAU NORTHWEST GmbH, Liegenschaften Weißig GmbH. Statements are not like-for-like as the number of lettable units may differ from one year to the other. The statements below exclude lettable units subject to Restitution Claims or subject to demolitions. The cash flow performance is based on asset and facility management agreements in place at the time. The statements exclude results from the Striesen KG properties.

	FY 2011 (€m)	FY 2012 (€m)
Net Cold Rent		
Residential	116.7	118.1
Commercial	7.8	7.6
Garage/Parking	1.4	1.4
Others	1.9	1.7
NET COLD RENT	127.8	129.0
Vacancy Loss		
Residential	(6.3)	(5.3)
Commercial	(0.9)	(0.8)
Garage/Parking	(0.4)	(0.4)
Others	(0.1)	(0.1)
CASH FLOWS FROM INVESTING ACTIVITIES	(7.6)	(6.6)
Bad Debt	(1.4)	(1.2)
NET RENTAL INCOME	118.7	121.2
Net operating recovery loss	(4.6)	(4.0)
Repairs & Maintenance expenses	(18.8)	(20.2)
PROPERTY NOI	95.3	97.0
SG&A, property management expenses	(17.0)	(17.1)
Other income (net cash flow from Immo Service Dresden & income under servicing agreements)	10.4	10.4
Net cash flow (Condo management)	(0.3)	(0.4)
Exceptional items (Dresden lawsuit instalments)	0.0	(4.0)
CASH NOI BEFORE TAX & FINANCING COSTS	88.4	85.9

THE PORTFOLIO

The below description of the Portfolio is largely based on information obtained from the WOBA Group and the Valuation Report as set out in Appendix 1. Though parts of the information have been audited by external advisors it cannot be excluded that minor discrepancies may exist, for example as a result of rounding of numbers. Please also see the risk factor "Considerations relating to the Loans" and the section "Limited Due Diligence".

Overview of the Portfolio

As of 28 February 2013 (the "**Valuation Date**") the WOBA Group portfolio (the "**Portfolio**") comprised 37,297 residential units and 859 commercial units as well as ancillary units (parking, storage etc) totalling 45,778 rental units. The Portfolio comprises exclusively developed properties and excludes undeveloped sites and miscellaneous units owned by the WOBA Group. Certain assets are subject to encumbrances which may limit or prevent the enforcement of the security. The Issuer has deducted the value of those assets and is as a result recognising a market value of €1,781,850,855 for its calculation of LTV.

The Portfolio is primarily located in the city of Dresden (98.7% by market value), making it one of the largest connected residential portfolios in Eastern Germany. The Portfolio comprises 36,588 residential units in Dresden which accounts for circa 12.7%³ of the residential supply in Dresden. The remainder of the Portfolio is located in the town of Zwickau (1.3% by market value) and both Dresden and Zwickau are located in the federal state of Saxony.

The Portfolio has a diversified range of residential assets including both traditional multi-family assets and a large proportion of *Plattenbau* (concrete 'prefabricated' homes assembled on top of each other). *Plattenbau* are a common feature of the German residential market in East Germany and Dresden, in particular, where a large portion of the city's housing stock uses *Plattenbau* material.

In total, commercially-used rental areas account for less than 5% of the Portfolio. Generally, the commercial units are structurally integrated into the residential buildings and their structural attributes are comparable to those of the residential units.

	Units	Lettable Area (sqm)	Net Rental Income (€m p.a.)	Financial Vacancy	Market Value (€m)
Residential.....	37,297	2,100,958	115.56m	6.0%	1,650.49m
Commercial	859	98,691	7.43m	4.5%	108.14m
Parking	5,691	n/a	1.11m	35.4%	18.09m
Other Units	1,931	n/a	1.42m	7.5%	20.43m
Total.....	45,778	2,199,649	125.51m	6.1%	1,797.14m

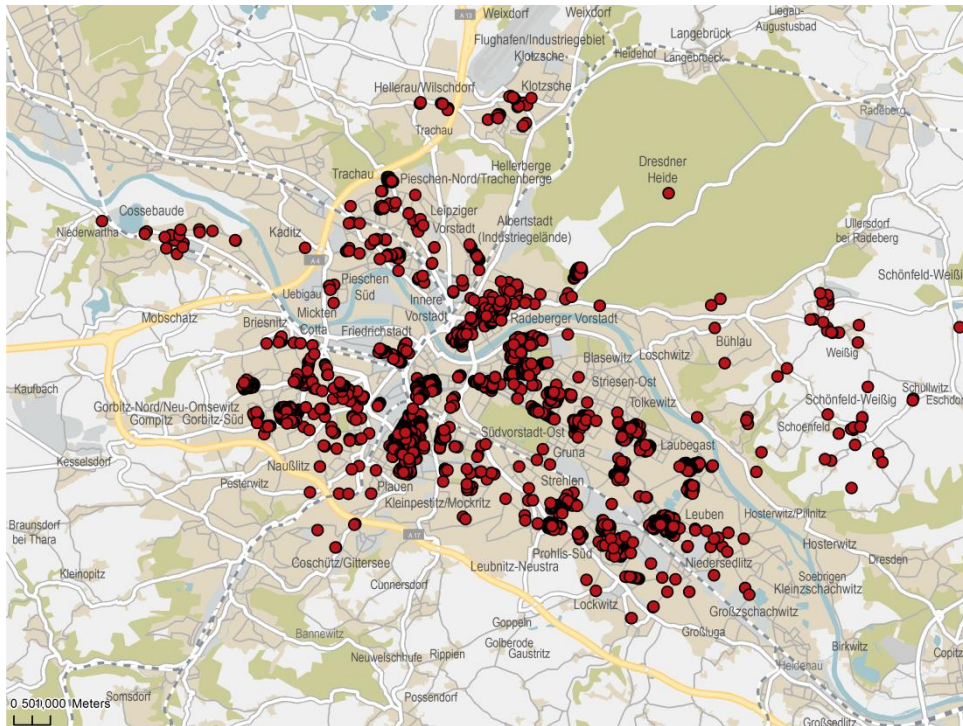
Locations & Geographic Footprint

The majority of the Portfolio is located in the city of Dresden. Within Dresden, a significant percentage of the residential units are located in the city centre with properties in the *Altstadt I*, *Altstad II* and *Neustadt* district accounting for over 40% of the lettable space.

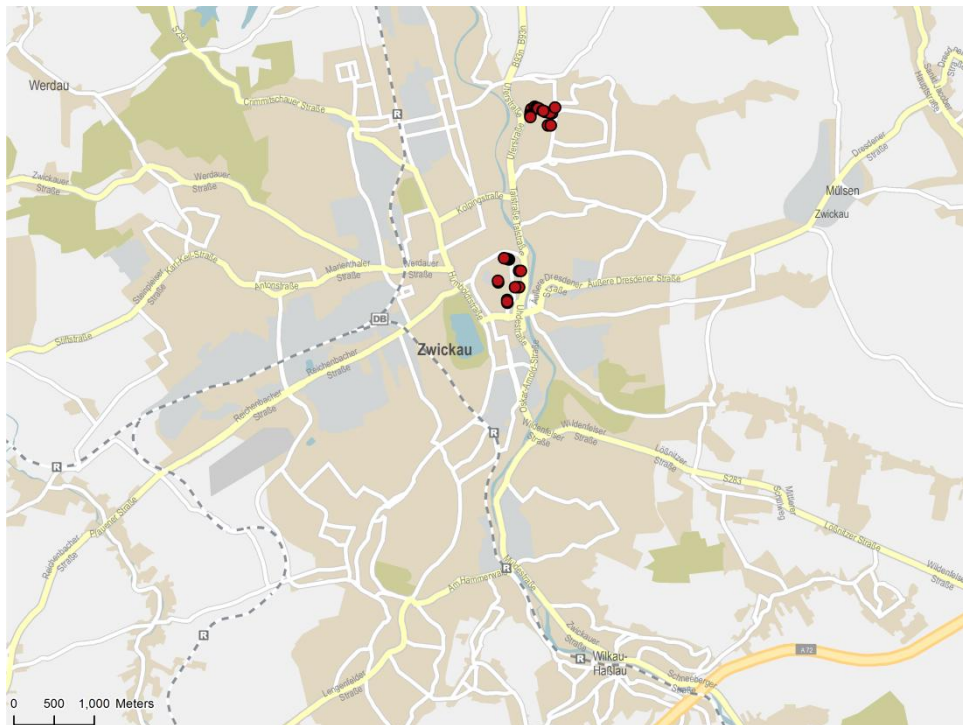
The distribution of the properties is depicted in the following maps. 2,876 addresses of the Portfolio are located in Dresden whilst 74 addresses of the Portfolio are located in Zwickau.

³ Based on a total Housing Stock of 287,148 in 2011 (Source: Federal Statistical Office, Statistical Office Saxony a referenced by Jones Lang LaSalle GmbH)

Mapping of Addresses in Dresden



Mapping of Addresses in Zwickau



Lettable Units

The Portfolio is mainly residential, consisting of 37,297 residential units and 859 commercial units. In addition the Portfolio includes, 5,691 parking spaces and 1,931 Other Units. The use of the term ‘parking’ relates to underground parking spaces, garages and external parking spaces.

The Portfolio divided into two sub-portfolios: (i) Core; and (ii) Non-Core. The Core portfolio comprises mainly (i) residential units in above-average technical condition with low vacancy rates as well as (ii) some residential units in below-average condition with higher potential for rental increases which could be achieved through targeted investments. The Non-Core portfolio comprises residential units in buildings that could be mainly sold to optimise the portfolio or properties that were previously earmarked for deconstruction.

	<u>Core</u>	<u>Non-Core</u>	<u>Total</u>
Residential	37,095	202	37,297
Commercial.....	856	3	859
Parking.....	5,635	56	5,691
Others Units	1,760	171	1,931
Total	45,346	432	45,778

Lettable Area

The total lettable area of the entire Portfolio is 2,199,649 sqm, which is comprised of 2,100,958 sqm (95.5%) of residential units and 98,691 sqm of commercial area.

	<u>Core (sqm)</u>	<u>Non-Core (sqm)</u>	<u>Total (sqm)</u>
Lettable Area Residential	2,089,164	11,794	2,100,958
Lettable Area Commercial	98,515	176	98,691
Total	2,187,679	11,969	2,199,649

Gross and Net Rental Income

The Gross Rental Income for the Portfolio at the Valuation Date amounted to €133,226,095 per annum, which is €5.05/sqm/month. As shown in the table below, the majority of the Gross Rental Income originated from residential units with a total annual amount of €122,436,555 per annum (€4.86/sqm/month) and commercial units generated a Gross Rental Income of €7,767,856 per annum (€6.56/sqm/month). Parking spaces generated a Gross Rental Income of €1,497,721 per annum (€21.93/unit/month) and other units generated a Gross Rental Income of €1,523,963 per annum (€65.77/unit/months).

	<u>Gross Rental Income</u>	<u>% of Gross Rental Income</u>	<u>Net Rental Income</u>	<u>% of Net Rental Income</u>
Residential	122,436,555	91.9%	115,558,347	92.1%
Commercial.....	7,767,856	5.8%	7,430,311	5.9%
Parking.....	1,497,721	1.1%	1,105,929	0.9%
Others Units	1,523,963	1.1%	1,418,277	1.1%
Total	133,226,095	100.0%	125,512,864	100.0%

As of the Valuation Date, the current Net Rental Income for the Portfolio amounted to €125,512,864 per annum, which equals to €5.06/sqm/month. The majority of the Net Rental Income originated from residential units with a total amount of €115,558,347 per annum (€4.86/sqm/month). Commercial units generated a Net Rental Income of €7,430,311 per annum (€7.25/sqm/month). Parking spaces generated a Net Rental Income of €1,105,929 per annum (€25.00/unit/month) and other units generate a Net Rental Income of €1,418,277 per annum (€67.65/unit/month).

Market Rental Income

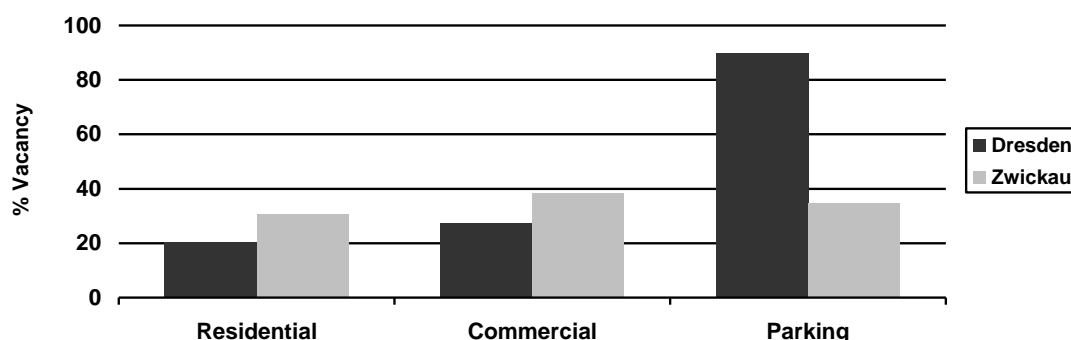
The Market Rental Income for the Portfolio at the Valuation Date was estimated to €144,297,559 per annum, which equalled to €5.45/sqm/month. The Market Rental Income for the residential units was estimated to €133,435,126 per annum (€5.29/sqm/month) and it was estimated to €7,842,458 per annum (€6.62/sqm/month) for commercial units. The Market Rental Income for parking spaces was estimated to €1,496,011 per annum (€21.91/unit/month) and was estimated to €1,523,963 per annum (€65.77/unit/months) for other units.

	Market Rental Income	% of Market Rental Income
Residential	133,435,126	92.5%
Commercial.....	7,842,458	5.4%
Parking.....	1,496,011	1.0%
Others Units.....	1,523,963	1.1%
Total	144,297,558	100.0%

Vacancy Rate

As of the Valuation Date, 2,049 residential units with a lettable area of 118,339 sqm and 130 commercial units with a lettable area of 13,334 sqm were vacant. Additionally, 2004 parking units were vacant. Based on the total lettable area, the average vacancy rate for the entire portfolio lies at 6%.

Vacancy and Vacancy Development based on Type of Use



The financial vacancy (the difference between Gross Rental Income of €133,226,095 per annum and Net Rental Income of €125,512,864 per annum) for the entire portfolio, which includes all types of use, is 6.1%.

	Net Rental Income	Gross Rental Income	Financial Vacancy
Residential	115,558,347	122,436,555	6.0%
Commercial.....	7,430,311	7,767,856	4.5%
Parking.....	1,105,929	1,497,721	35.4%
Others Units.....	1,418,277	1,523,963	7.5%
Total	125,512,864	133,226,095	6.1%

Rent Reviews

For further information provided by the WOBA Group (only sample lease agreements were reviewed) in respect of rent reviews please see the risk factor "*Residential Lease Agreements, Rent Adjustments and Termination Rights*" and the section "*Relevant Aspects of German Property Law – rent and rent increases*" and "*Risks relating to the Properties*" and the section "*Dresden and Zwickau Social Chartas and obligations under Occupancy Agreements*".

If a rent review has not been entirely or for a certain amount of years been excluded in a lease agreement, rents can generally be reviewed periodically by reference to customary local rent (*ortsübliche Vergleichsmiete*) as, for example, shown in the Mietspiegel index. In accordance with the Dresden Charta, inter alia, the Guarantors guarantee that until 5 April 2021 (protection period) rent under residential lease agreements on an average basis across the whole of the WOBA Portfolio will only be increased in each period of 12 months in accordance with the increase of the consumer price index during the relevant period plus an additional 3%. This is different from the statutory regime which, under certain circumstances, allows for an increase of the rent up to the customary local rent. Rent increases due to the refurbishment of apartments or the abolition of duties payable as compensation for occupancy by tenants not entitled to such apartments are not subject to this provision.

The Guarantors guarantee that until 5 April 2021, the WOBA Group will only increase the rent for residential lease agreements existing on 5 April 2006 up to an amount of 70% of the rent increase permitted by law. The provision only applies to such apartments for which, *inter alia*, the net rent per square metre is around 20% or more below the customary local rent at the time at which the landlord demands such an increase.

The *Mietspiegel* is a benchmark for local rents. It is usually established every two years by the relevant city and tenant and landlord associations in order to determine appropriate rent increases for residential housing of various standards and sizes. Please also refer to "General Aspects of German Lease Law" below. The latest *Mietspiegel* rent index published by the City of Dresden in January 2013 is valid for 2013 and 2014. The sample of the rent index is based on a survey of 3,100 household in 2012.

Title to Properties

The Properties securing the Loans through land charges are owned as freehold real properties (*Eigentumsgrundstücke*), condominium ownership (*Wohnungseigentum*) or part-ownership title (*Teileigentum*) by the relevant Borrowers and by Bau-und Siedlungsgesellschaft Dresden GmbH. A limited number of Properties are held on a different legal basis. Please see the risk factor "Risks relating to the Transaction Security" and sections "Title to the Properties" and "Encumbrances and property related third party agreements".

Portfolio Specifications

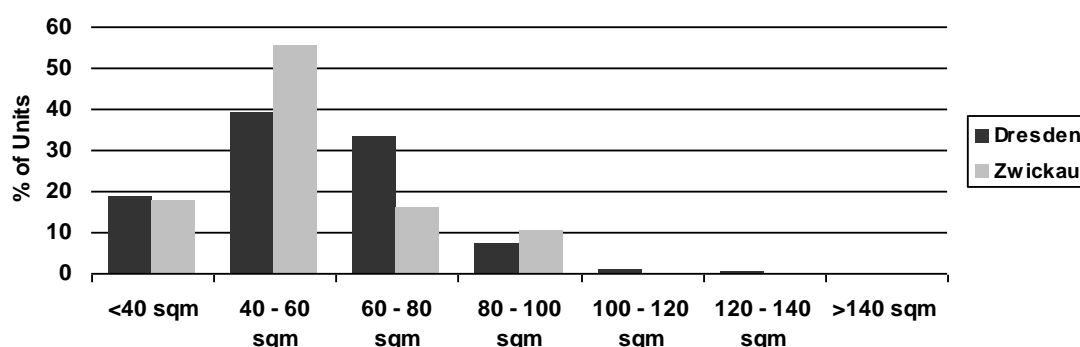
Building Types

The portfolio has a diversified range of residential assets including both traditional German multi-family housing as well as prefabricated German buildings ('*Plattenbau*'). Across the Portfolio, 26,093 residential units are in prefabricated buildings. This represents 70.0% of all residential units. The percentage differs between Dresden and Zwickau with the percentage of residential units in prefabricated buildings being 69.4% and 97.7% in Dresden and Zwickau respectively.

	Non-Prefabricated	Prefabricated	Total	% of Prefabricated
Dresden (nbr of units).....	11,188	25,400	36,588	69.42%
Zwickau (nbr of units).....	16	693	709	97.74%
Total	11,204	26,093	37,297	69.96%

Average Unit Size and Building Height

The average apartment unit across the Portfolio has a size of 56.3 sqm. Flat sizes range from circa 10.0 sqm to 589 sqm. The majority of units are one- and two-bedroom apartments. By and large the Portfolio mainly features flats with areas between 40.0 sqm and 60.0 sqm. In Dresden circa 33% (Zwickau approximately 16%) of the residential units have areas between 60 sqm and 80 sqm and circa 19% (Zwickau approximately 18%) feature areas below 40 sqm.

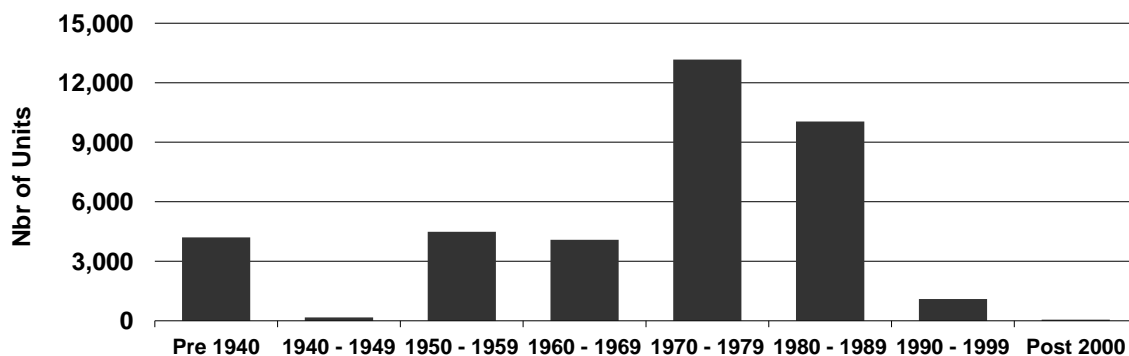


The majority of the properties in the Core portfolio are low- to mid-rise buildings. Just over 67% of the residential units are in buildings with 6 or less floors.

	Units	Share in % of Units	Lettable Area (sqm)
Up to 4 floors	7,778	21.0%	487,145
5 to 6 floors	17,178	46.3%	949,328
7 to 10 floors	5,889	15.9%	360,020
More than 10 floors	6,250	16.9%	292,671
Total	37,095	100.0%	2,089,164

Years of construction and building age categories

The majority of the Portfolio (around 64.7% of the residential units) was constructed during the period from 1970 to 1990.



Refurbishment Conditions

An assessment of the refurbishment conditions of the assets owned and operated by the WOBA Group was carried out in June 2012. The portfolio at the time comprised a larger residential rental area than it does today (2,185,627 sqm). Assessment of the refurbishment condition of the buildings and apartments was made on the basis of three categories: fully refurbished, partially refurbished and unrefurbished.

Apartments are described as “fully refurbished” where these were built or completely refurbished during the last 15 years. A full refurbishment comprises the complete renewal of the five main trade works: (i) electrical installations; (ii) heating system; (iii) bathroom; (iv) painting; and (v) decorating works and floor finishes.

In "partially refurbished" apartments, extensive measures will have been executed in the past in at least three of the five main trades (as listed above).

"Unrefurbished" apartments will essentially still have standards of fit-out and equipment from construction. Since construction, only those measures will have been executed which were required to maintain technical operability.

Details regarding the proportion of fully, partially and unrefurbished apartments are largely based on information from the inspection of apartments of the VALTEQ, the consultants who carried out technical due diligence on the assets. An estimated 42% of the residential rental units is in fully refurbished condition. Partially refurbished apartments accounted for around 34% of the assets. Around 24% of the rental units are in unrefurbished condition.

Conditions	% of Portfolio (by Rental areas)
Fully refurbished.....	41.6%
Partially refurbished	34.1%
Not refurbished	24.4%
Total	100.0%

Market Value of the developed properties split between Core and Non-Core

Market Value of the developed properties split between 'Core' and 'Non-Core'	Market Value (€m)	Lettable Area (sqm)	Market Value per sqm	Net Rent p.a. (€m)	Market Rental Value (€m)	Net Rent Multiplier	Market Rent Multiplier
Core.....	1,790.5	2,187,679	818	125.4	143.7	14.4	12.3
Non-Core	6.7	11,969	556	0.1	0.6	2.3	2.5
Total	1,797.1	2,199,649	817	125.5	144.3	14.2	12.1

Market Value of the developed properties per Building Type

	Market Value (€m)	Lettable Area (sqm)	Market Value per sqm	Net Rent p.a. (€m)	Market Rental Value (€m)	Net Rent Multiplier	Market Rent Multiplier
Apartment	1,606.0	2,027,029	792	112.5	130.0	14.31	12.32
Block of Garages	8.0	n/a	n/a	0.5	0.6	13.35	12.06
Condominium	12.5	12,619	990	0.8	0.9	15.77	14.19
Mixed-Use	129.0	129,915	993	8.8	9.6	12.56	12.11
Others.....	5.6	n/a	n/a	0.4	0.4	10.33	9.38
Parking space.....	6.3	n/a	n/a	0.4	0.6	17.72	10.81
Retail with R/O	18.7	25,366	736	1.4	1.6	11.73	8.81
Semi-detached.....	3.2	2,149	1484	0.2	0.2	19.61	19.02
Sheltered housing	8.0	2,572	3092	0.5	0.5	15.82	15.82
Total	1,797.1	2,199,649	817	125.5	144.3	14.15	12.14

Notes: 'Mixed-Use' includes residential/office mixed-use properties.

'Retail with R/O' includes retail buildings with some retail and/or office spaces.

Condominium: refers to a form of housing tenure where a specified apartment is individually owned by the WOBA Group, while use of and access to common facilities and exterior areas are controlled by the association of owners that jointly represent ownership of the whole building block

Sheltered housing: refers to rented housing for older and/or disabled people

Other: ancillary assets (antennae etc)

Breakdown of developed properties by Administrative District

	Residential Units	Residential Lettable Area (sqm)	Commercial Units	Commercial Lettable Area (sqm)	Net Rental Income p.a.	Market Value
Altstadt.....	7,395	439,430	129	19,881	26,979,019	394,054,419
Blasewitz.....	4,733	261,044	118	10,855	16,742,790	237,094,567
Cossebaude	84	4,953	3	266	231,341	3,560,905
Cotta.....	5,313	278,413	53	4,310	14,032,292	184,965,700
Klotzsche	304	19,603	1	141	1,384,604	19,417,206
Leuben	2,840	168,775	30	4,102	9,735,486	147,679,972
Loschwitz.....	0	0	2	1,286	145,857	2,363,404
Neustadt	2,723	162,919	225	27,995	11,547,218	156,701,570
Pieschen	988	59,000	14	1,344	3,730,734	53,669,447
Plauen.....	6,393	361,559	139	13,174	22,720,682	356,160,858
Prohlis	5,689	297,172	105	11,662	15,731,314	213,274,680
Schonfeld-Weißig..	126	8,045	24	2,006	502,443	5,721,228
Dresden Total	36,588	2,060,912	843	97,021	123,483,780	1,774,663,955
Zwickau Total	709	40,045	16	1,670	2,029,084	22,476,294
Total	37,297	2,100,958	859	98,691	125,512,864	1,797,140,249

VALUATION REPORT

Prospective investors should be aware that the Valuation Report was prepared prior to the date of this Prospectus. Jones Lang LaSalle has not been requested to update or revise any of the information contained in the Valuation Report, nor will it be asked to do so prior to the issue of the Notes. Accordingly, the information included in the Valuation Report may not reflect the current physical, economic, competitive, market or other conditions with respect to the Properties. None of the Joint Lead Managers, the Arranger, the Servicer, the Special Servicer, the Issuer Cash Manager, the Liquidity Facility Provider, the Note Trustee, the Issuer Security Trustee, the Borrower Security Trustee, the Issuer Corporate Services Provider, the Principal Paying Agent, the Agent Bank, the Issuer Account Bank, the Interest Rate Swap Counterparty or the Common Safekeeper are responsible for the information contained in the Valuation Report.

Please see Appendix 1 for the Valuation Report.

MANAGEMENT AND ADMINISTRATION OF THE PROPERTIES

The GAGFAH Group provides asset management and administrative services to the WOBA Group in respect of the Portfolio. In addition, B&O Service- und Messtechnik AG, Bad Aibling ("B&O"), a third party company, provides certain maintenance services in relation to the Properties.

GAGFAH Group provides services to WOBA Group in the following areas:

- (a) central property management (e.g. technical and commercial asset management, contract management regarding services agreements, rent management) and asset management (e.g. project leadership, point of contact for sale projects, portfolio reports, investment and budget planning);
- (b) operative controlling (e.g. analysis and reporting – group-based, per region and per customer centre);
- (c) financial accounting (e.g. balance sheet accounting, asset accounting, preparation of accounts (IFRS and German Commercial Code – HGB), group accounting);
- (d) finance (e.g. loan management, assistance to sales, reporting), treasury (e.g. cash management, intercompany loan management, liquidity planning, reporting and analysis), tax (e.g. tax accounting, liquidity planning, tax risk management, audit management) and legal; and
- (e) communications (e.g. management enterprise resource planning system, operational system connect, project management, desktop management, database administration, information technology services and maintenance).

Asset management and administrative services are provided for by the GAGFAH Group for an annual flat fee for each managed unit, and minor maintenance services are provided for a flat fee per square metre of living space. B&O are remunerated through a guaranteed minimum monthly turnover, with a fixed monthly payment which is then credited against actual turnover.

GAGFAH operates through a operational network of 19 customer centres. Each customer centre is located in close proximity to the relevant portfolio and provides the property management services which require interaction with tenants. The responsibilities of GAGFAH's customer centres include, *inter alia*, rent collection, new leases, lease renewals and other tenant-related issues as well as a range of other property management services and a large number of facility management activities.

On-site facility management services, such as caretaking, unplanned maintenance measures and small repairs are carried out by GAGFAH's wholly-owned subsidiaries, VHB Grundstücksverwaltungsgesellschaft mbH ("VHB") and ISD GmbH ("ISD"). VHB and ISD are responsible for the day-to-day maintenance of the Properties and in particular, tenant care and customer services.

GAGFAH has centralised the provision of property management services which do not require day-to-day contact with customers, including billing and claims management, in two regional offices in Essen and Dresden.

Asset Management Services

Under a management service framework agreement (*Rahmengeschäftsbesorgungsvertrag*) entered into on 2 December 2006, 19 GAGFAH Group companies agreed to be service providers (*Leistungserbringer*) in respect of asset management services to 25 WOBA Group service recipients (*Leistungsempfänger*) (the "**Management Service Agreement**"). These services include facility management, asset management, finance, insurance, acquisitions and sales, accounting, information technology, public relations, human resources and communication.

Management Service Agreement Remuneration

Each service provider is entitled to an annual flat fee of €240 payable for each managed unit. Any other services are remunerated on a cost-plus-fixed-margin principle. This margin ranges between 5% and 15%. In addition, compensation for costs incurred can be requested by the service provider. Accounting is

conducted at the end of each calendar year, however each service provider receives monthly advance payments.

Management Service Agreement Duration and Termination

Each party can terminate the Management Service Agreement with six months' notice to the end of a calendar year.

Regardless of rights to terminate, if any party ceases to be an affiliate of GAGFAH M Immobilienmanagement GmbH ("**GAGFAH M**"), all rights and duties of that party cease without a notice period.

Maintenance Services

On 19 September 2008, WOBA DRESDEN GmbH, VHB and B&O entered into a maintenance agreement, amended on 18 December 2012, in respect of certain technical property management services (the "**Maintenance Agreement**"). These services included customised modernisation, repair services, call-centre services and ancillary services, such as warranty management.

B&O have the exclusive right to certain maintenance items which have a value of between €2,000 and €250,000, with some exceptions, for example, in relation to sewer system services and insurance services. Any breach of this exclusive right triggers a contract penalty in the amount of 5% (with a minimum amount of €3,000) of the relevant maintenance item. B&O may sub-contract these services to third parties, unless WOBA DRESDEN GmbH objects (subject to a reasonableness test).

Under an agreement dated 23 December 2009, as amended on 19 December 2012, B&O also provide on-demand minor maintenance services in relation to items of a value less than €500. B&O are remunerated by a lump sum of €280 for each item. This agreement may be revoked at any time.

Maintenance Agreement Remuneration

B&O is guaranteed a minimum monthly turnover comprising of maintenance and customised modernisation. A monthly sum of €500,000 is made to B&O, which is credited against the actual monthly turnover generated that month.

In addition, a cash deposit of €4.1 million has been paid to B&O in respect of claims arising under the Maintenance Agreement. This deposit is secured by a bank guarantee from DZ Bank AG.

Maintenance Agreement Duration and Termination

The fixed term of the Maintenance Agreement ends on 31 December 2014. The GAGFAH Group parties are entitled to terminate at any time at the end of each calendar month by giving three months' notice, which would result in a one-off compensation payment in the amount of €2.085 million minus €415,000 after 31 December 2013.

In March 2010, the parties reduced the initial 10 year term of the Maintenance Agreement to the dates set out above and, as a result, a one-off lump sum of €1 million was due to be paid to B&O on 1 January 2013.

GERMAN RESIDENTIAL REAL ESTATE SECTOR

The information included in this section has been extracted from the Valuation Report prepared by Jones Lang LaSalle, a synopsis of which is included in the section entitled "Valuation Report". This section is provided for information only. This section is an extract of the information provided in the Valuation Report and is not a comprehensive review of all aspects impacting the German residential real estate sector. The Issuer has not independently verified the sources or the accuracy of the information reported herein and has relied on the data provided by Jones Lang LaSalle.

Economic Growth and Disposal Income

In 2011, the Gross Domestic Product (GDP, adjusted for inflation, seasonal and calendar-year effects) increased by 3.2% in real terms according to preliminary calculations of the Federal Statistical Office, representing a GDP per capital of €31,437. The growth trend continued in the first quarter of 2012 with the German economy growing by 0.5%. However, growth significantly decelerated to 0.3% in the second quarter 2012.

The German Council of Economic Experts expects a significantly weaker economic performance for 2012 compared to the two previous years in its forecast. With a GDP growth of 0.8%, economic expansion should however remain on a growth trajectory. For 2013, the council expects an almost similar growth of 1%. Nevertheless, the outlook remains uncertain in light of the recent turbulence in global economic markets and the unresolved sovereign debt situation in Europe.

Since 1991 the index for disposable income per capita (inflation adjusted) has steadily grown at 9%, resulting in an annualised increase of 0.4%. This means that disposable income was therefore unable to benefit from the economic recovery to the same degree as the overall economy, which expanded by 25% in the same period (1.3% annually). As income is one of the most important determinants of demand in residential markets, stagnating disposable income has a dampening effect on German residential market prices. In 2011, the disposable income per capita stood at € 19,900. The German Council of Economic Experts forecasts that wages should rise moderately through to 2013.

Demographic Change

Following reunification, Germany's population increased to around 82.5 million inhabitants by 2002. The growth in the 1990s was largely attributable to the migration of 2.8 million ethnic Germans from Eastern Europe. Population figures then fell continuously between 2002 and 2010, which was mainly due to the negative natural population development (births minus deaths). The population declined even further between 2008 and 2009 due to an outflow of people leaving Germany. Net migration only became positive again in 2010 and further increased in 2011 mostly due to the introduction of the unrestricted free movement of workers in the Eastern European EU-states in May 2011. In accordance with this development, population figures in Germany rose for the first time since 2002 and reached 81.8 million by the end of 2011.

According to forecasts by the Federal Statistical Office, the number of inhabitants in Germany will gradually decline to between 73.8 million and 76.8 million by 2040, and to between 64.7 million and 70.1 million by 2060. The main influencing factor for the speed and scale of demographic change is the future level of migration. Providing a precise estimate is difficult and future population development ultimately will largely depend on the economic and political framework of the country. The effects of demographic change differ at regional level and must therefore be viewed in a territorially differentiated way. Cities and regions with a high quality of life and a good supply of jobs can expect to see a population increase and will therefore be the winners, benefiting from demographic change.

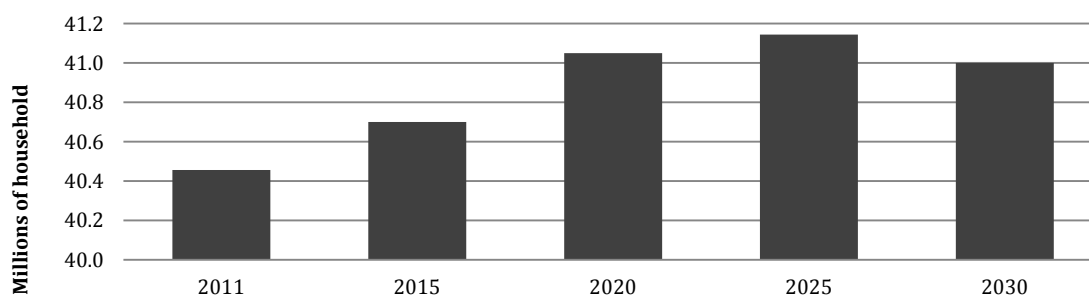
Private households

The future demand for housing depends on the number of inhabitants but more specifically on the development of household numbers, as households and not residents seek housing. In accordance with this, the number and composition of households are major factors in determining housing need. In the last 40 years, two trends have become apparent: the number of households has continued to rise while the number of people per household has declined. While Germany's population increased by 2.0% between 1991 and 2011, the number of households in the same period increased by 14.7% to 40.4 million. Even in eastern Germany, where the population declined by 9.2%, the number of households has increased by

10.4% since reunification. The absolute growth in household numbers is due to a higher proportion of single-person households caused by the higher percentage of senior citizens among the population.

More people in the other age groups are also increasingly living alone. Divorces and single-parent households, as well as younger households that have families later in life, are also causing the number of households to rise. While the population will decline in the next few years, forecasts from the Federal Statistical Office indicate that the number of households will peak at 41.144 million in 2025 before declining slightly to 41.020 million in the following five years. This means that there would still be 1.4% more households in 2030 than in 2011 despite the 5.5% decline in population. In general, it can be assumed that until 2025 there will be a steady increase in demand for housing in Germany due to the higher number of households. Furthermore, the average household size is forecast to fall from 2.05 people per household in 2011 to 1.88 people in 2030.

Development of Household Numbers (2011-2030)



Source: Federal Statistical Office, projection based on the micro consensus in 2008 including the 12th coordinated population forecast (as reported in the Valuation Report)

Housing stock

It should be noted that a comprehensive analysis of the housing stock in Germany is difficult as there is limited general information about the housing stock in Germany and official statistics do not contain enough meaningful parameters to provide transparency about change processes that are developing in the market or are based on extrapolations from previous estimates.

According to figures extrapolated by the Federal Statistical Office, housing stock in 2011 amounted to 40.5 million units in residential and non-residential buildings, of which 8.9 million are located in eastern Germany (22.0%) and 31.6 million in western Germany (78.0%). One- and two-family houses account for 47% of all residential units and multi-family houses account for 53%. Meanwhile only a million residential units remained classified as low-income housing out of the several million units that originally existed under tenant and rent control agreements. This sharp decline is due to the expiry of the social commitment clause following the planned repayment of public funds used for housing construction.

The building periods of residential buildings can be roughly divided into three categories: pre-1949, 1949 to 1990, and post-1991 new buildings. According to the 2010 micro-census, the first category (pre-1949) accounts for approx. 28% of the housing stock in Germany. Eastern Germany has a share that is almost twice as high compared to the west. The proportion of units built before 1949 is almost 46% in the east, while in the west only around 23% of all units were built during this period.

The second category includes units built between 1949 and reunification in 1990. Socialist East Germany (GDR) and the market economy of West Germany followed different residential building policies so that there are now considerable differences between the housing stocks in the two areas of the country. In the former GDR, private building activities for the rental market came to a halt after the Second World War. Public investments in pre-war stock were politically undesirable until the 1980s and only took place on a very limited basis. In the meantime, industrial prefabricated concrete buildings (*Plattenbau*) were constructed from the 1970s and still dominate many cities in the east. In West Germany, favourable government loans and subsidies provided from the end of the war until the 1970s helped communal and cooperative agencies to rebuild some pre-war stocks and build new mass-housing stocks.

The high level of building activity after the Second World War is the reason why post-war buildings (1949-1978) represent the largest share of housing stock in Germany at approx. 46%. In the west, more than 51% of residential units were built during this period. A further 5.2 million units were added to the overall German housing stock between 1979 and 1990. There was a general shortage of housing in Germany until the 1990s due to war damage, war refugees and a high birth rate after the war.

The final category includes housing built after 1990 to 2010. This period accounts for almost 13% of the overall housing stock. In this period, building activity was evenly distributed between eastern and western Germany, but decreased in the east by the end of the survey period.

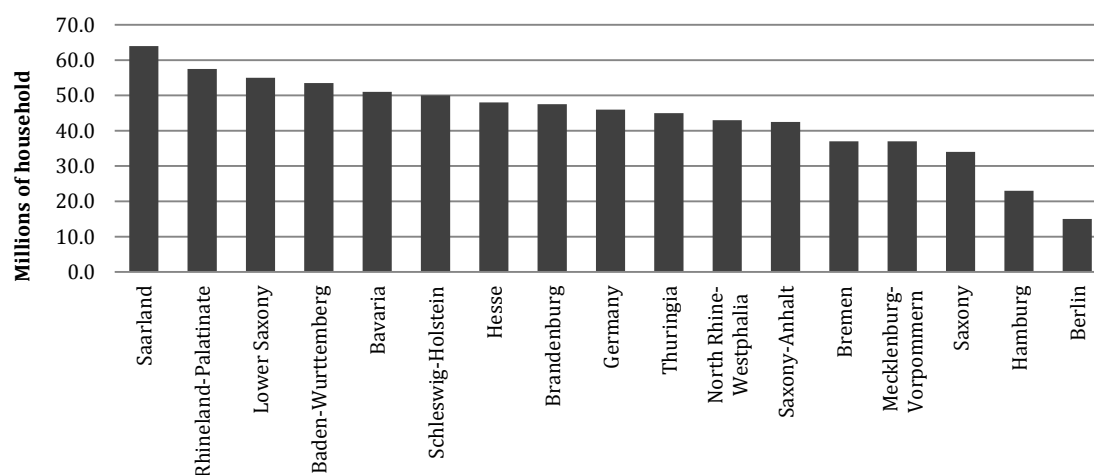
In summary, the post-war boom in West Germany created a prevalence of buildings from the post-war period (1949 to 1978). In East Germany on the other hand, the historic buildings (pre-1949) have a high share. The post-war period saw comparatively low building activity here as there was less severe war damage and weaker new-building activity after the war.

Home ownership

According to calculations by the Federal Statistical Office, the home ownership rate amounts to 45.7%. However, only 41.9% of all residential units are owner-occupied. Of 38.5 million households that are referred to in the micro-census 44.2% or approximately 17 million are homeowners. There is also a clear difference between the levels of home ownership in the west compared to the east. The rate of home ownership in western Germany is 47.2%, which is 14 percentage points higher than in the eastern federal states (33.2%).

Compared with the rest of Europe, the rate of home ownership in Germany is relatively low. Only Switzerland has an even lower rate of 35%. One of the main explanations for the high proportion of tenants in Germany is that the residential rental market is extremely attractive and gives tenants little incentive to buy property and leave the rental market. Since the Second World War, similarly high standards have been available for both tenants and homeowners, while there is also a diverse range of rental housing and relatively affordable rents.

Share of owner-occupied homes in the federal states by percentage



Source: Federal Statistical Office, 2010 micro-census (as reported in the Valuation Report)

Regional differences in home ownership are also evident. As illustrated by the chart above, Berlin and Hamburg city-states clearly have below-average ownership rates of 14.9% and 22.6% respectively. Home ownership in east Germany is lower than in west Germany as GDR policies would not allow for home ownership and thus preventing urbanisation observed in western Germany since the 1970s. Owner-occupied housing is also more expensive in densely populated urban areas and this factor is a further barrier to home ownership. According to studies by the BBSR, the rate of home ownership by 2025 will remain stable at approx. 47% in western Germany and increase to 36% in eastern Germany.

RELEVANT ASPECTS OF GERMAN PROPERTY LAW

The Properties mainly consist of multifamily residential real properties with only a small number of commercial tenants. Accordingly, the business of each Borrower will be affected by, among others, the regulations affecting the business of owning and managing residential properties in Germany.

General Aspects of German Lease Law

Regulation of Lease Law

German lease law is broadly regulated in a tenant friendly way in the German Civil Code ("**BGB**") (social lease law – *soziales Mietrecht*). In addition to the statutory provisions, a vast amount of case law is available interpreting the laws on what can be agreed in general terms and conditions.

Statutory lease law was revised in the year 2001 and a further reform came into force on 1 May 2013 including provisions on energy-saving modernization measures (*energetische Gebäudesanierung*), actions against so-called "rental nomads"(tenants vacating flats after a short time not having paid rents, sometimes leaving them in a run-down state or leaving behind rubbish), protection against termination in case of conversions of leased apartments into condominium ownership properties (*Eigentumswohnungen*). Further municipalities, in which supply of affordable housing is under threat, will be given the possibility to reduce the permitted increase of rents within three years from currently 20% to 15%.

Rent and rent increases

Statutory law provides for strict regulations concerning any increase of residential rents. Parties may agree rent increases during the term of a lease. For the future, parties may only agree on a scaled rent (*Staffelmiete*) or indexation (*Indexmiete*) based on the consumer price index as issued by the Federal Statistical Office (*Statistisches Bundesamt*). In case of an indexation, rent is adjusted only on landlord's or tenant's written request (*Erklärung in Textform*), and the rent must remain unchanged between two rent increases for at least one year.

If neither a scaled rent nor an indexation have been agreed, the landlord is entitled to request an increase of rent up to the rent customary in the closer vicinity (*ortsübliche Vergleichsmiete*) if the rent has been unchanged during the last 15 months, but only up to 20 % in three years (in some cases a 15% can apply once the 2013 lease law reform has become effective). Evidence for the customary rent must be given, e.g. by reference to rent tables (*Mietspiegel*), comparable properties or an expert opinion. Furthermore, the landlord is also entitled to raise the rent if it modernized the leased premises as long as the landlord has not been under a general obligation to maintain and repair the property or the modernization is carried out in order to comply with mandatory statutory provisions. An increase of the annual rent up to 11 % of the modernization costs can be requested.

If the rent exceeds rent customary in the closer vicinity by far (at least 20%), the landlord can be administratively or criminally liable. The excess rent may have to be paid back by the landlord in this case.

Termination rights under the German Civil Code

(a) *Ordinary termination (ordentliche Kündigung)*

While a tenant may terminate a lease agreement at any time subject to the statutory notice period, a landlord must have a legitimate interest (*berechtigtes Interesse*) in terminating a lease. A termination for the purposes of a rent increase is expressly prohibited. For residential leases acceptable reasons, among other things, include the following:

- (i) the tenant has culpably (*schuldhaft*) and considerably (*nicht unwesentlich*) violated his contractual duties;
- (ii) the landlord needs the premises as a dwelling for himself, members of his family or members of his household (*Eigenbedarf*); or

- (iii) the landlord, by continuing the lease, would be prevented from making appropriate commercial use of the plot of land and would as a result suffer substantial disadvantages; the possibility of attaining a higher rent by leasing the residential space to others is disregarded; the landlord may likewise not invoke the fact that he wishes to dispose of the residential premises in connection with an intention to create condominium ownership (*Wohnungseigentum*).

While the statutory notice period for commercial lease agreements is six months towards the end of a calendar quarter for either party, the statutory notice period for residential leases varies for tenant and landlord: it is always three months for the tenant; for a termination by the landlord it depends on the duration of the lease: three months if less than five years, six months for a term between five and eight years and nine months in case of an existence of the lease of more than eight years.

Furthermore, a residential tenant is entitled to terminate a lease within two months after the landlord has requested a rent increase based on indexation or due to modernization. In this case a shortened notice period of two months applies. A residential tenant's ordinary termination right can be excluded for four years if a scaled rent has been agreed.

A residential tenant may object a termination (as long as it is not for compelling reason without notice) and demand continuation of the lease, even if the landlord has a legitimate reason, if termination of the lease would be for the tenant, his family or another member of his household, a hardship that is not justifiable even considering landlord's justified interests (for example, where the tenant is old, pregnant, or has a serious illness, or where there is no comparable accommodation available) (*Sozialwiderrspruch*).

(b) ***Extraordinary termination without notice for compelling reason (außerordentliche Kündigung aus wichtigem Grund)***

Each party may terminate a lease without notice for a compelling reason. In general, such compelling reason is deemed to exist if the party giving notice, with all circumstances of the individual case taken into account, including without limitation fault of the parties to the contract, and after weighing the interests of the parties, cannot be reasonably expected to continue the lease until the end of the notice period or until the lease ends in another way. Often lease agreements contain examples of compelling reasons, but no additional termination rights (except for break options agreed in long term leases). This sometimes includes the tenant's insolvency as a compelling reason. However, this cannot be validly agreed, as it contradicts mandatory statutory provisions (Sec. 110 of the German Insolvency Code).

Compelling reasons allowing a landlord to terminate a lease are in particular:

- (i) the tenant substantially endangers the leased premises by neglecting to exercise the care incumbent upon it or by allowing a third party to use it without authorisation (*unbefugtes Überlassen an Dritte*);
- (ii) the tenant is in default payment of rent or not insignificant parts of the rent on two successive rental payment dates or in a period over more than two rental payment dates with at least two monthly rents (*Verzug mit der Miete*); or
- (iii) in particular in case of residential leases, the tenant permanently disturbs the domestic peace in such a way that it cannot be reasonably expected from the landlord to continue the lease to the end of the notice period or until the lease is terminated in another way (*nachhaltiges Stören des Hausfriedens*).

The compelling reasons allowing a tenant to terminate a lease are fulfilled, for example, if:

- (i) a tenant is not permitted to use the leased premises or parts thereof in accordance with the lease agreement or is deprived of this use; or
- (ii) the use of the leased premises entails a significant endangerment of health.

If the compelling reason consists in the violation of an obligation under the lease agreement, usually a notice period for rectification of the violation has to be set and expire without results, before the extraordinary termination notice can be issued.

Enforcement of the Land Charges

Enforcement of the Land Charges will be carried out by the land charge beneficiary or any of its representative or legal counsel who the land charge beneficiary may from time to time appoint in accordance with the German Compulsory Auction and Compulsory Administration of Immoveable Property Act ("**ZVG**") which provides for compulsory sale of properties (*Zwangsversteigerung*) and/or sequestration of properties (*Zwangsverwaltung*) as possible enforcement measures. In accordance with statutory law, land charges which have been created over a property after 19 August 2008 have to be terminated by six months prior notice before enforcement proceedings in relation to the capital amount (*Grundschuldkapital*) can be started.

Compulsory Sale

The compulsory sale through public auction is the statutorily foreseen route for realising land charges. As a consequence of a sale through public auction, lower-ranking encumbrances are extinguished, the purchaser obtains a title to have the premises vacated if a property is used by the debtor himself and long-term lease relationships can be terminated prematurely (Sec. 57a ZVG). The land charge beneficiary enforcing the payment of the claim is in control of the proceedings and may stop them at any time prior to the pronouncement of acceptance of the bid, even on the auction date, by withdrawing the application or agreeing to suspend the proceedings.

Generally, proceedings are as follows:

Upon application (setting out the property concerned, its owner, the claim and the enforceable instrument (Sec. 16 ZVG)) of the creditor, the competent local court where the property is located will order the compulsory sale. In order to ensure that the property which will be subject to the proceedings can no longer be sold or encumbered, a notice of compulsory sale (*Zwangsversteigerungsvermerk*, Sec. 19 ZVG) is entered in the land register. This notice includes a prohibition on further entries being made in the land register (*relative Grundbuchsperre*) meaning that everything ranking below this notice is ineffective. The order of compulsory sale effects the attachment (*Beschlagnahme*) of a property for the petitioner's benefit and is recorded in the land register. The attachment does not include rental and lease payment claims (Sec. 21 Para 2 ZVG) (leases will continue during the period of the enforcement procedure). Any creditor wishing to secure the owner's income in this respect must introduce sequestration procedures (see below). Foreclosure measures taken by other creditors are also ineffective against the petitioner after attachment (Sec. 23, 26 ZVG). Nevertheless, the creditor is not entitled to take possession by virtue of the order for compulsory sale. In preparation of the public auction, the court engages an independent expert to prepare a report on the market value of the property.

The court fixes and announces a date for the public auction. The enforcing land charge beneficiary is not excluded from the auction and thus can bid and acquire the property themselves or via an acquisition vehicle. The actual public auction takes place as follows: First of all, the situation as regards the contents of the land register, the parties involved, market value and registration of claims (*Anmeldungen*) is discussed. Following this, possible conditions deviating from the normal auction conditions (*Versteigerungsbedingungen*) are established and the lowest bid (*geringstes Gebot*), the minimum to be offered by a bidder, is determined in accordance with procedural regulations, taking only the highest-ranking enforcing creditor into account. It must be sufficient to cover claims which are of higher ranking than those of the highest ranking creditor enforcing a claim and which are to be satisfied in cash on the distribution date (*Verteilungstermin*). German law follows the principle that the rights ranking ahead of the claims of the petitioning creditor remain intact (*Deckungsgrundsatz*), and that they are assumed by the highest bidder. Judicial sale petitions of lower-ranking creditors are, therefore, often useless if the encumbrances of higher priority rights already exhaust the market value of the real property. In such a case, the lowest bid would exceed the market value. The person making the highest bid obtains title to the property sold at the auction. With the announcement of the acceptance of the bid, the bidder becomes the owner of the property (Sec. 89 and 90 ZVG). He is entitled to the rental income with immediate effect.

There are two minimum limits to be observed, determined in accordance with the market value of the property as evaluated by an independent expert engaged by the court: If the maximum bid does not amount to half the value of the property, i.e. 5/10, acceptance of the bid must be refused *ex officio* (Sec. 85a ZVG). Acceptance of the bid may also be refused following an application made by a party holding a right in the property if the bid plus the value of the subsisting rights does not amount to 7/10 of the value of the property and if the applicant's claim is in whole or in part not covered by the bid (Sec. 74a ZVG). The enforcing land charge beneficiary may oppose such request by providing *prima facie* evidence that the non-acceptance of the bid would cause the enforcing land charge beneficiary an unreasonable disadvantage. If acceptance of the bid is refused on the first auction date, these limits shall not apply on a second auction date.

On the distribution date, generally held approximately four weeks after the auction date, the auction proceeds will be distributed to creditors in accordance with the ranks of their claims as set out in Sec. 10 ZVG (see below). Any surplus proceeds will be paid to the debtor.

Generally, foreclosure proceedings, if not hindered, will last some six months to two years (depending on the property, debtors and bidders involved and the workload of the competent court). Thus, if a debtor pursues a course of systematic hindering of proceedings, he can in extreme cases prolong the course of the foreclosure proceedings by a period of up to five years. In particular, the debtor may claim that the right was not validly created or that it subsequently expired. If he challenges the right in this way, the court will suspend the compulsory execution proceedings until such time as this matter has been finally settled in ordinary court proceedings. The debtor may claim that the foreclosure proceedings are inadmissible because they will lead to his property being unlawfully sold at a dumping price, or because certain procedural errors have been made. A decision in respect of this defence can also take up considerable time. The debtor may also challenge the amount of the current market value determined.

The cost of an order for compulsory sale or an application to be added as a third party to pending proceedings shall be payable by the applicant. Costs of acceptance of a bid or separate distribution proceedings shall be borne by the purchaser and new owner of the property. Other costs will be paid from the proceeds. Under Sec. 109 Para 1 ZVG, the costs of the proceedings will be paid out of the proceeds prior to any claims ranking under Sec. 10 ZVG.

Sequestration

Sequestration is expedient only and can be ordered by a court if the land regularly generates income, which normally means rental income. The debtor will remain the owner of the property. Sequestrations only tend to cover regularly recurring payments to be made to the enforcing land charge beneficiary (interest payments), while payments on overdue payments and on capital are only made if there is a surplus available after the regular payments have been covered. It is therefore unusual in practice for sequestration to be undertaken separately and it is usually accompanied by compulsory public auction proceedings. In most cases, a direct application is made for compulsory public auction without sequestration.

The legal preconditions of sequestration are largely similar to those of a compulsory sale.

By ordering a sequestration, the court eliminates the debtor's authority to administer the property. The attachment (*Beschlagnahme*) includes rental and lease payment claims (Sec. 148 Para 1 and Sec 21 Para 2 ZVG). The debtor may no longer enter into leases or take in rent payments. Advance disposal of rent payments (e.g. assignment, attachment by other creditors, agreements between owner and tenant) become unenforceable (Sec. 1124 BGB). By keeping up its condition and obtaining the highest possible rental income, the authority to administer the property is transferred to a receiver (*Zwangsverwalter*) designated by the court. The receiver must attempt to manage the property to the best of its ability. If surplus is to be expected from the sequestration, the court must distribute it to the creditors in accordance with the ranking (please see below). If the income from the property does not cover the necessary expenses (*notwendige Ausgaben*), the receiver can request advances from the enforcing land charge beneficiary. In general, the enforcing land charge beneficiary will receive the interest payments and a certain amortisation of its principal after payment of ongoing costs for the administration and maintenance of the property or properties and ongoing public charges relating to the property or properties.

Ranking of Rights and Distribution of Proceeds

If a property is encumbered by several land charges or mortgages, they are ranked in relation to one another and in relation to other encumbrances in section "II" of the land register. This order of precedence is generally determined by the order in which the various encumbrances were entered in the land register, but may also change subsequently due to the subordination of claims etc. Certain preceding rights other than mortgages or land charges can also be so harmful that in such cases the acquisition of a lower-ranked lien on real property is ruled out. This includes, for example, certain priority notices (*Vormerkungen*), usufructuary rights (*Nießbrauch*) and land charges conveying rights to recurrent payments or services (*Reallasten*).

Distribution of the proceeds depends upon the rank of the claim in a certain class (the "**Sec. 10 ZVG Classes**" and each a "**Sec. 10 Class**") as provided for under Sec. 10 ZVG:

- (i) *Class 1:* In the event of a compulsory administration the enforcing land charge beneficiary's expense claims in relation to maintenance or necessary improvement of the property (in the case of compulsory sale such claims will only be satisfied if (i) the compulsory administration continues until adjudication of the Property pursuant to the public auction and (ii) the maintenance costs cannot be covered from the administration of the property);
- (ii) *Class 1a:* In the event of a compulsory sale where insolvency proceedings have been opened over the debtor's estate the costs for determination of the movable assets which are included in the public auction, a flat fee of 4% of the value of such movable assets will be payable to the insolvency administrator;
- (iii) *Class 2:* In the event of enforcement in condominium ownership (*Wohnungseigentum*) claims for payment of due and outstanding contributions at the costs of the shared ownership (*gemeinschaftliches Eigentum*) and individual ownership (*Sondereigentum*) which are payable under the condominium ownership act (*Wohnungseigentumsgesetz*). The amount is capped at 5% of the property value.
- (iv) *Class 3:* Public charges on the property for any arrears in the last four years. However, periodic charges (*wiederkehrende Leistungen*), such as real property tax, interest, extra charges, annuities and other claims are in this Sec. 10 ZVG Class only for ongoing claims and arrears for the last two years;
- (v) *Class 4:* Claims resulting from rights relating to the property (for example land charges), but only to the extent they have not become ineffective vis-à-vis the enforcing land charge beneficiary as a consequence of the attachment of the property, including all claims resulting from such amounts which are payable for a gradual repayment of a debt as an extra charge on the interest payments. Claims resulting from periodic charges, for example, interest, extra charges, administrative costs, annuities are in this Sec. 10 ZVG Class only for ongoing claims and arrears for the last two years;
- (vi) *Class 5:* The enforcing creditor's claims to the extent they will not be satisfied in one of the above Classes;
- (vii) *Class 6:* The rights relating to the property to the extent they have become ineffective vis-à-vis the enforcing creditor as a consequence of the attachment of the property.
- (viii) *Class 7:* The claims of the third Sec. 10 ZVG Class for any arrears not covered thereunder;
- (ix) *Class 8:* The claims of the fourth Sec. 10 ZVG Class for any arrears not covered thereunder;

The claim which is to be enforced by the land charge beneficiary will generally be one falling under "Class 4" (rights in rem/claims based upon a property right (*dingliche Rechte*) registered in the land register). The issue of which one among several claims classified in "Class 4" ranks first is determined in accordance with the content of the land register and the ranking of the rights as registered therein. The claims specified in "Classes 1" to "3", i.e. costs of the proceedings, certain costs incurred in the sequestration (*Zwangsverwaltung*) proceedings, public charges such as development contributions and real property taxes etc. always have priority over the claims of a land charge beneficiary enforcing the payment. In case of sequestration only current period charges will rank in Class 4 and the land charges

will remain in place. Arrears and principal will then rank in Class 5. The right to satisfy claims secured by the land charges also include the re-disbursal of costs triggered by the termination of the land charges (but does not include costs for acceleration of the claims) and the legal costs. The claims ranking in Class 5 will be satisfied in accordance with the order in which the property has been attached. Any claim will be satisfied in the following order: (i) costs, (ii) periodic charges and other additional charges, (iii) principal.

A land charge beneficiary as creditor enforcing a right will not obtain any proceeds before all higher-ranking claims or rights have been satisfied. Proceeds will only be received to the extent its claim is covered by the nominal value of the land charge plus interest for the last two years (up to three years depending on the due dates of interest). All rights that precede the right of the highest-ranked creditor will, as a matter of fundamental principle, remain in existence in the foreclosure proceedings and must also be assumed by the bidder. An exception is made only in the case of certain positions, whose creditors must be paid out in full.

The right of the best-ranked enforcing creditor and all rights ranking thereafter will be extinguished once the legal title to the property has been transferred to the purchaser with full and final effect.

German Federal Data Protection Act (Bundesdatenschutzgesetz)

According to the German Federal Data Protection Act, a transfer of a customer's personal data is only permitted if (a) the relevant customer has consented to such transfer, (b) such transfer is permitted by law or (c) such transfer is (i) necessary in order to maintain the legitimate interests of the person storing the data and (ii) there is no reason to believe that the legitimate interests of the customer to prevent the processing and use of data should prevail over such other storer's interests. The German Federal Data Protection Act currently only provides for the protection of data relating to natural persons (including sole traders, professionals and any natural person who is a partner in a partnership).

With respect to the security assignment of lease receivables, one could argue that the disclosure of tenant lists to the Borrower Security Trustee might constitute a breach of the German Federal Data Protection Act to the extent that personal data is transmitted to the Borrower Security Trustee in the context of the delivery of such list. However, it is possible to argue that the assignment of claims which entails a transfer of data which is protected under the German Federal Data Protection Act does not fall within the scope of and is not invalid on the basis of a violation of Section 134 German Civil Code because it only incidentally entails the transfer of personal data but is not made to specifically achieve such transfer. It can be argued that a data transfer which solely relates to the transfer of receivable related data (i.e. the amount of the relevant receivable and the respective contract number) does not violate the German Federal Data Protection Act unless such data transfer has been effectively prohibited contractually or otherwise and that even where a particular data transfer were to violate the German Data Protection Act, this would not constitute a violation of a prohibition law within the meaning of Section 134 German Civil Code. This applies however only to the extent that the data involved is only protected under the Federal Data Protection Act and not additionally under professional confidentiality (*Berufsgeheimnis*) or similar high standards.

TRANSACTION SECURITY

The Loan Security

The Loans are secured by the Borrower Security Documents. The Borrower Security Documents and any other security agreements securing the Loans together comprise, the Transaction Security.

The Transaction Security of each Borrower secures all liabilities of all Borrowers under the Loans so that the Loans to such Borrowers will (subject to limitation language as a consequence of applicable German capital maintenance rules, see "*Risk Factors – German Capital Maintenance Rules*") be fully cross-collateralised.

In addition, the Borrowers and the other Guarantors guarantee each other's obligations, subject to applicable German capital maintenance rules, see "*Risk Factors – German Capital Maintenance Rules*".

Creation of Security

With the exception of the land charges and any supplemental security granted in connection with the Second Utilisation Date, all Transaction Security was granted to the Borrower Security Trustee, with effect from the First Utilisation Date. The assignment of the assigned land charges to the Borrower Security Trustee and the creation of the New Land Charge in favour of the Borrower Security Trustee will be effected upon registration in the relevant land registers. With respect to the land charges a priority notice (*Vormerkung*) in favour of the Issuer for a (possible) future transfer of the land charges to a third party security trustee (e.g. in case of an insolvency of the Borrower Security Trustee) will be registered in the land registers.

The security assignments were granted in favour of the Borrower Security Trustee.

All pledges were granted to the Issuer and the Borrower Security Trustee as pledgees.

The Borrower Security Trustee holds all Transaction Security for the benefit of itself and the relevant other Finance Parties.

Covenants and Undertakings

Where applicable, the Obligors and shareholders who are pledgors, assignors or landowners under the relevant Borrower Security Documents have incurred, among other things, and subject to customary exceptions, the following undertakings and covenants:

- (a) save as permitted under the Facility Agreement, not to create or permit to subsist any other security over any of its assets being subject or purported to be subject to any Security under the Borrower Security Documents;
- (b) not to dispose of, encumber or agree to encumber any assigned claims or any other collateral granted by it under the Borrower Security Documents, other than in accordance with or as permitted by the relevant Finance Documents;
- (c) to refrain from any acts or omissions, the purpose or effect of which is or would be the assigned claims ceasing to be assignable or subjecting any assigned claim to any law other than German law other than (i) in the relevant Obligor's ordinary course of business or (ii) as expressly permitted under the terms of the Finance Documents;
- (d) upon request, to allow the Borrower Security Trustee to examine, audit and inspect its books, accounts and other documents wherever located at all times and on reasonable notice at the risk and cost of any Obligor during normal business hours, and to make and take away copies of any and all of such books, accounts and other documents for the purpose of inspecting and checking any of the assigned claims;
- (e) to notify the Borrower Security Trustee in the case of any attachment in respect of any of the assigned claims. Such notice shall be accompanied by any documents the Borrower Security Trustee might need to defend itself against any claim of a third party. In particular, the assignors shall forward to the Borrower Security Trustee without undue delay a copy of any attachment

order (*Pfändungsbeschluss*), any transfer order (*Überweisungsbeschluss*) and all other documents necessary for a defence by the Borrower Security Trustee against the attachment;

- (f) to use its reasonable efforts to obtain any required consent, if the assignor's ability to assign any of its assigned claims has been contractually excluded or restricted;
- (g) insofar as additional declarations or actions are necessary for the creation of any pledges (or any of them) by it in favour of the pledgees (or any of them), the pledgors shall at the Borrower Security Trustee's request make such declarations and undertake such actions;
- (h) upon request of the Borrower Security Trustee to confirm or re-execute on the same terms as contained in the relevant Borrower Security Document the pledges created by it thereunder in order to ensure that any future pledgee shall receive the benefit of such pledges;
- (i) to effect without undue delay any contributions in cash (*Bareinlage*) or kind (*Sacheinlage*) to be made in respect of its interests or shares, if required;
- (j) to notify the Borrower Security Trustee without undue delay of any change in its interests or shares held in, or capital of, the relevant Borrower or any encumbrance over its interests or shares (or part of them);
- (k) in the event of any increase in the (share) capital of any Obligor, not to allow, without the prior written consent of the Borrower Security Trustee, any other party to subscribe for any of its future interests or future shares (other than a subscription by existing shareholders commensurate to the shareholding of such shareholders in the Obligors as at the Original Facility Date), as applicable, and not to defeat, impair or circumvent in any way the rights of the pledgees under the relevant Borrower Security Document;
- (l) to refrain from any acts or omissions, the purpose or effect of which is or would be that any interests or shares held by it cease to be owned by it or encumbered pursuant to the Borrower Security Documents;
- (m) to procure that all proceeds and any other sums collected in connection with the assigned claims are paid into a bank account that is subject to security for the benefit of the Finance Parties;
- (n) not to create or permit to subsist any encumbrance of all or any of the shares or interest or bank accounts or any interest therein or otherwise sell, transfer or dispose of the whole or any part of the shares or interests or bank accounts or any interest therein, in each case save as permitted under the Finance Documents;
- (o) not to amend any articles of association of an Obligor to the extent that such amendment would adversely affect the security interest of the pledges created thereunder without the prior written consent of the pledgees, acting through the Borrower Security Trustee; and
- (p) to notify the pledgees, by notification in writing to the Borrower Security Trustee forthwith of any partners' or shareholders' meeting at which a partners' or shareholders' resolution is intended to be adopted which could have an adverse effect upon the validity and/or enforceability of any of the share pledges. Each pledgor shall allow, following the occurrence of any of the circumstances which permit the pledgees to enforce the pledges in accordance with the relevant Borrower Security Documents, the pledgees or, as the case may be, their proxy or any other person designated by the pledgees, to participate in all such partners' or shareholders' meetings of the Borrower as attendants without power to vote. In any event, as long as any of the pledges remains in effect, the relevant pledgor shall send to the Borrower Security Trustee, in its capacity as agent for and on behalf of the pledgees, a protocol of any ordinary or extraordinary partners' or shareholders' meeting.

Issuer Security

Pursuant to the Issuer Deed of Charge and as set out in Condition 2(b) (*Status, Security and Priority – Security and Priority of Payments*), the Issuer will grant the following security to the Issuer Security Trustee to secure the obligations of the Issuer to the Noteholders, the DACs holders and the other Issuer Secured Creditors:

- (a) Pursuant to the Issuer Deed of Charge:
- (i) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and pursuant to, among other things, the Issuer Transaction Documents, the Finance Documents (other than any Finance Document governed by German law), the Transaction Security (other than any Transaction Security governed by German law) and all other contracts, agreements and deeds present and future, to which the Issuer is or may become a party or in respect of which it may have the benefit, including all reports, valuations and opinions (other than any Issuer Security Document);
 - (ii) a first fixed charge over the Issuer's rights, title, interest and benefit both present and future in and to all sums of money or securities which are from time to time and at any time standing to the credit of the Issuer Bank Accounts and any other bank, securities or other account opened and maintained in England and Wales and in which the Issuer may at any time acquire any right, title, interest or benefit or otherwise place and hold its cash or securities, resources, and in the funds or securities from time to time standing to the credit of such accounts and in the debts represented thereby;
 - (iii) a first fixed charge in and to the Issuer's rights, title, interest and benefit, present and future in and to all Permitted Investments made by or on behalf of the Issuer using moneys standing to the credit of the Stand-by Account including without limitation and to the extent not already stated above, all rights to receive payment of all amounts thereunder, all moneys, income and proceeds payable and/or paid thereunder or arising or accrued in respect thereof, the benefit of all covenants relating thereto, all rights of action in respect thereof and all powers and all rights and remedies for enforcing the same; and
 - (iv) a first ranking floating charge over the whole of the undertaking of the Issuer and all its property and assets whatsoever and wheresoever situate, present and future (other than those subject to the fixed charges set out in paragraphs (i) to (iii) above and those subject to the Issuer German Security Agreement.
- (b) Pursuant to the Issuer German Security Agreement, an assignment by way of security (*Sicherungsabtretung*) of the Issuer's rights, claims and interest against, *inter alia*, the Borrower Security Trustee arising in connection with the German law Finance Documents and Transaction Security, collectively with (a) above, the "**Issuer Security**".

In the event of enforcement of the Issuer Security, certain of the Issuer Secured Creditors will rank senior to the Issuer's obligations under the Notes and the DACs in respect of the allocation of proceeds as set out in the Post-Enforcement Priority of Payments.

In addition, in the event of the enforcement of the Issuer Security, the amounts available to the Noteholders, the DACs holders and the Issuer Secured Creditors (other than the Liquidity Facility Provider) will not include any amounts standing to the credit of the Stand-by Account, which will be paid to the Liquidity Facility Provider.

THE FACILITY AGREEMENT

For a glossary of certain defined terms in relation to this Description of Facility Agreement please see "-Glossary".

The Facility Agreement

The Facility Agreement is governed by English law. A summary of the principal terms of the Facility Agreement is set out below.

Purpose and Application

The Borrowers undertook to apply all amounts borrowed under the Facility Agreement in or towards financing or refinancing:

- (a) the total amount required to pay the existing facility in full as well as associated costs, accrued interest, costs incurred as a result of breaking any existing hedging agreements and prepayment fees and to release all Security therefor;
- (b) the payment of interest, fees and other finance costs payable pursuant to the facility; and
- (c) the making of inter-company loans to other Obligor **provided that** the proceeds from such inter-company loans were applied towards the purposes set forth in paragraphs (a) and (b) above.

Loan Amount and Drawdown

The maximum amount of borrowing under the Facility Agreement was EUR1,077,500,000, and this was drawn as two Fixed Rate Loans of EUR 1,023,625,000 in aggregate and two Floating Rate Loans of EUR 53,875,000 in aggregate.

The Loans have been drawn in full and the Facility Agreement does not place an obligation on the Issuer to make any further advances to the Borrowers.

Payment of Interest

Pursuant to the Facility Agreement, the Borrowers will be required to pay accrued interest on the Fixed Rate Loans and the Floating Rate Loans on each Loan Interest Payment Date.

The rate of interest on the Floating Rate Loans for each Loan Interest Period is the percentage rate per annum which is the aggregate of the applicable (i) Floating Rate Margin, (ii) EURIBOR, (iii) the Extension Margin (if applicable) and (iv) Mandatory Cost, if any.

The rate of interest on the Fixed Rate Loans for each Loan Interest Period is the percentage rate per annum which is the aggregate of the applicable (i) Fixed Rate Margin, (ii) Fixed Rate, (iii) the Extension Margin (if applicable) and (iv) Mandatory Cost, if any.

Default interest will apply on any unpaid sums which an Obligor fails to pay from the due date up to the date of actual payment in accordance with the Facility Agreement at a rate of one per cent. per annum plus the rate of interest which would have been payable if the unpaid sum had, during the period of non-payment, constituted the relevant Loan.

Repayments and Extension

- (a) *Final Repayment Date*

The Borrowers will be required to repay the Loans in full on the Loan Interest Payment Date immediately following the fifth (5th) anniversary of the First Utilisation Date subject to exercise of the extension option.

- (b) *Repayment in Instalments*

The Facility Agreement provides for scheduled amortisation payments to be made by the Borrowers on each Repayment Date. The Borrowers are obliged to repay the Loans on each

Repayment Date by an amount reducing the outstanding Loans by 1.00 per cent. per annum of the amount of the Loans as at the later of the First Utilisation Date or the Second Utilisation Date.

(c) *Extension option*

The Borrowers may exercise the option to extend the Final Repayment Date for the Loans by a period of one year on one occasion only **provided that**, *inter alia*, the applicable Extension Fee has been paid to the Facility Agent for the account of the Lenders, no Loan Event of Default is continuing and the maturity of any Lender Swap Transaction is extended or one or more new interest rate swap transaction(s) is entered into by the Lenders with a term expiring not earlier than the extended Final Repayment Date.

Prepayments

(a) *Voluntary Prepayments*

The Facility Agreement permits each Borrower to prepay the Loans in whole or in part (but, if in part, subject to minimum repayment of EUR 5,000,000) by giving not less than ten (10) Business Days' prior notice to the Facility Agent. Voluntary prepayment of a Loan is subject to payment of, *inter alia*, accrued interest and any applicable prepayment or cancellation fee, by the relevant Borrower.

(b) *Mandatory Prepayment on Illegality*

If it has become unlawful in any applicable jurisdiction for the Issuer to perform any of its obligations under the Facility Agreement, the Borrowers are required to repay the Loans made to them on the last day of the Loan Interest Period occurring after the Facility Agent has notified the Obligors' Agent or, if earlier, the date specified by the Issuer in the notice of such illegality delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law).

(c) *Mandatory Prepayment from insurance proceeds*

Subject to certain specified conditions as further set out in the Facility Agreement, certain insurance proceeds will also be applied in prepayment of the Loans.

(d) *Mandatory Prepayment from recovery claims and disposals*

The Facility Agreement also provides that:

- (i) after receipt of the proceeds of any Recovery Claim, the relevant Borrower will prepay the Loans in an amount equal to such proceeds received (after deducting any reasonable expenses which are properly incurred in accordance with good industry practice) unless the relevant Borrower notifies the Facility Agent that such proceeds are, or are to be, applied to satisfy or reimburse any liabilities or claims made by a third party or in the replacement, reinstatement and/or repair of assets which have been lost, destroyed or damaged; and
- (ii) upon a disposal, the relevant Borrower prepay, or procure the prepayment of, the Loans in an amount equal to the Release Amount or, if the disposal arises as a result of a compulsory purchase order, any exercise by an acquiring authority of statutory powers or Restitution Event, in an amount up to the Release Amount but, in all cases, not less than the Allocated Loan Amount for the relevant property.

(e) *Mandatory prepayment on change of control*

Under the Facility Agreement, a change of control occurs if all Obligors cease to be wholly-owned (whether directly or indirectly) by the Parent, or any Obligor other than WOBA Holding GmbH (whether directly or indirectly) ceases to be wholly-owned (whether directly or indirectly) by WOBA Holding GmbH (**provided that** the shareholdings of Opera Co-Acquisition GmbH &

Co. KG in the Obligors (other than WOBA DRESDEN) in the percentages as of 20 February 2013 are disregarded for the purposes of assessing the question of a change of control).

After a change of control, if the Majority Lenders so require, the Facility Agent will, by not less than 15 Business Days' prior notice to the Borrowers or the Obligors' Agent declare all or part of the outstanding Loans, together with accrued interest and all other amounts accrued under the Finance Documents, to be immediately due and payable or, if the Facility Agent so directs, to be payable on the next Loan Interest Payment Date.

(f) *Mandatory prepayment on the occurrence of a Cash Trap Event*

If a Cash Trap Event is continuing, the Surplus Cash then standing to the credit of the Transaction Account is required to be applied by the Borrowers on each Loan Interest Payment Date following the occurrence of the Cash Trap Event towards prepayment of the Loans.

(g) *Mandatory prepayment regarding Cure Payments and R&M Reserves*

The Facility Agreement also provides that the Borrowers are obliged to prepay any part of the Loans:

- (i) for the purpose of curing any breach of the financial covenants under the Facility Agreement, if the DSCR Test and LTV Test are not complied with for four successive Loan Interest Periods; and
- (ii) to the extent that any amounts have been deposited in the R&M Reserve Account in relation to repair and maintenance of the Properties and any other machinery and equipment forming part of the Properties and such amounts are (1) not allocated within such 12 months or (2) standing to the credit of the R&M Reserve Account on the date falling six (6) months prior to the Final Repayment Date.

(h) *Right of repayment and/or cancellation in relation to a single Lender*

If:

- (i) an Obligor is required by law to make a Tax Deduction and as a result, such Obligor must gross-up any sum payable to a Lender; or
- (ii) any Lender claims indemnification from any Obligor under the tax indemnity or increased costs provisions of the Facility Agreement;

the Obligors' Agent may, whilst the circumstance giving rise to the requirement for that increase or indemnification continues, notify the Facility Agent of the cancellation of the commitment of that Lender and the Borrowers shall repay that Lender's participation in the Loans in the manner specified in the Facility Agreement.

(i) *Notice of prepayments*

If any prepayment is to be made (other than a prepayment in relation to illegality), the Facility Agent shall notify the relevant Lenders of the date and amount of the proposed prepayment, no later than three (3) Business Days prior to the date of such proposed prepayment.

(j) *Amount of prepayments*

Any prepayment under the Facility Agreement shall be made together with (without double counting):

- (A) accrued interest (including the Fixed Rate Margin, the Floating Rate Margin, the Extension Margin and Mandatory Cost, if any (as applicable to the relevant Loans)) on the amount prepaid calculated up to the next Loan Interest Payment Date
- (B) any applicable Break Costs and any amounts payable to the Lenders under the hedge indemnity less any Hedge Break Gain;

- (C) any prepayment or any cancellation fee payable; and
- (D) any other Secured Obligations which become due and payable as a result of the prepayment,

but shall otherwise be made without premium or penalty.

(k) *Effectiveness of prepayments*

If the Loans (or any part thereof) are prepaid otherwise than on a Loan Interest Payment Date, then the prepayment will take effect on the date on which the principal amount of that prepayment together with all other sums paid under are received by the Facility Agent and all related sums will be held on deposit by the Facility Agent pending the application on the next Loan Interest Payment Date in accordance with the Facility Agreement.

(l) *Effect of prepayments on Facility*

No Borrower may reborrow all or any part of the facility which is prepaid and no amount of the total commitments cancelled under the Facility Agreement may be subsequently reinstated.

Fees, Prepayment Fee and Hedge Break Gains

(a) *Agency fee*

The Borrowers and the Issuer are required to pay to the Facility Agent (for its own account) an agency fee in the amount and at the times agreed with the Facility Agent.

(b) *Borrower Security Trustee fee*

The Borrowers are required to pay to the Borrower Security Trustee (for its own account) the security trustee fee in the amount and at the times agreed in a fee letter pursuant to the Facility Agreement.

(c) *Prepayment Fee and Cancellation Fee*

Upon a prepayment (other than, *inter alia*, a prepayment for illegality or a voluntary prepayment of a Cure Payment relating to the financial covenants or a mandatory prepayment on the occurrence of a Cash Trap Event), a prepayment fee shall be payable by the Borrowers of all or any part of the Loans in an amount of the Exit Fee applicable to (i) the amount prepaid or (ii) in the case of a prepayment on a disposal, the amount prepaid exceeding the Sales Basket.

(d) *Hedge Break Gains*

Upon receipt by the Issuer of a payment by the Interest Rate Swap Counterparty in relation to any gain realised upon complete or partial termination of any Lender Swap Transaction where that termination occurs, for any reason, prior to the stated maturity of the Lender Swap Transaction ("**Hedge Break Gains**"), the Issuer shall be required to pay this amount to the Borrowers, provided that the borrowers have paid any applicable Release Amounts under the Facility Agreement.

Guarantee

Each Guarantor has irrevocably and unconditionally, jointly and severally guaranteed to each Finance Party punctual performance by each Borrower of all that Borrower's payment obligations under the Finance Documents and further undertaken that, if any Borrower does not pay any amount due under the any Finance Document when due, it will immediately pay on demand that amount as if it were the principal obligor and further agree to indemnify each Finance Party if any obligation guaranteed becomes unenforceable, invalid or illegal. The obligations of the Guarantors are subject to the limitations imposed by the German capital maintenance rules.

Representations and warranties

The representations and warranties given by each Obligor pursuant to the Facility Agreement on each Utilisation Date and (in respect of certain representations) also on the first day of each Loan Interest Period will include, among other things, the following representations (subject, in each case, to the specific terms, exceptions and carve-outs set out or represented in the Facility Agreement):

- (a) *Status*: it has status as set out in the Facility Agreement, power to own assets and carry on business and its actual seat (*tatsächlicher Verwaltungssitz*) is located in Germany;
- (b) *Centre of main interests and establishment*: its centre of main interests and establishment is in Germany;
- (c) *Binding obligations*: subject to the Legal Reservations, the obligations assumed by it in the Finance Documents are legal, valid, binding and enforceable and each Borrower Security Document, validly creates Security of the type described over the assets to which it is expressed to apply;
- (d) *Non-conflict with other obligations*: the entry into and performance by it of transactions contemplated by the Finance Documents do not and will not conflict with any other obligations to which it is subject;
- (e) *Power and authority*: it has the power and authority to enter into, perform and deliver the Finance Documents;
- (f) *Validity and admissibility in evidence*: save for registration of the land charges over the Properties at the relevant land registry, notarisation of the submission to immediate enforcement (*Unterwerfung unter die sofortige Zwangsvollstreckung*) relating to the land charges and registration of the submission to immediate enforcement in the land register and as provided in the Legal Reservations, all authorisations required or desirable to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is or will be a party and to make the Finance Documents to which it is a party admissible in evidence in each relevant jurisdiction, have been obtained or effected and are in full force and effect;
- (g) *Governing law and enforcement*: subject to the Legal Reservations, the choice of governing law of each of the Finance Documents will be recognised and enforced in each relevant jurisdiction and any judgment obtained in relation to a Finance Document in the jurisdiction of the governing law of that Finance Document will be recognised and enforced in each relevant jurisdiction;
- (h) *No filing or stamp taxes*: save for registration of the land charges over the Properties at the relevant land registry, notarisation of the submission to immediate enforcement (*Unterwerfung unter die sofortige Zwangsvollstreckung*) relating to the land charges and registration of the submission to immediate enforcement in the land register and as provided in the Legal Reservations, it is not necessary under the law of any relevant jurisdiction that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp duty, real estate transfer tax, registration, notarial or similar tax or fee be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents;
- (i) *No Default*: no Loan Event of Default is continuing or might reasonably be expected to result from the making of any Utilisation, or the entry into, or the performance of, or any transaction contemplated by, any Finance Document and no other event or circumstance is outstanding which constitutes (or with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event under any Transaction Document or any other agreement or instrument which is binding on it or to which its assets are subject, unless such default or termination event could not reasonably be expected to have a Material Adverse Effect;
- (j) *No misleading information*: any factual information provided by or on behalf of an Obligor to the Finance Parties in relation to the Transaction Documents or the Properties, which is contained in this Prospectus which relates to the Obligors, the Group and the Properties, to the Valuer, to the provider of the most recent Lender Appraisal and to any report provider in connection with

the preparation of any Report, is to the best of the Obligors' knowledge, true, complete and accurate in all material respects as at the date it was given and is not misleading in any material respect and any opinions, forecasts and projections made by or on behalf of the Obligors and provided to the Finance Parties have been prepared as at their date, on the basis of recent historical information, and on assumptions believed by the relevant Obligor to be fair and reasonable;

- (k) *Financial statements*: its original financial statements were prepared in accordance with GAAP applicable to the Obligor concerned consistently applied unless expressly disclosed to the Facility Agent in writing to the contrary before the date of the Facility Agreement, its original financial statements (including the notes thereto) fairly represent its financial condition and operations during the relevant financial year unless expressly disclosed to the Facility Agent in writing to the contrary before the date of the Facility Agreement and there has been no material adverse change in the business, assets or financial condition of any Obligor since the date of its original financial statement;
- (l) *Pari passu ranking*: its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally;
- (m) *No proceedings*: no litigation, arbitration or administrative proceeding of or before any court, arbitral body or agency has (to the best of its knowledge and belief) been started or threatened in writing against it (or against its directors) which may restrain its entry into, the exercise of its rights under, or the performance, enforcement of or compliance with any of its obligations under, the Transaction Documents or, if adversely determined, could reasonably be expected to have a Material Adverse Effect;
- (n) *Environmental compliance*: to the best of the Obligors' knowledge and unless otherwise disclosed (i) from the acquisition of the Borrowers by the current shareholders, no action has been taken by the Obligors that would result in non-performance or non-compliance with, *inter alia*, environmental permits and environmental laws where such non-performance or non-compliance (taken together) could reasonably be expected to have a Material Adverse Effect and (ii) no materials are present on any property which are generally known to be hazardous to health or safety capable of causing harm to any living organism or the environment or would be required to be removed, where the combined effect of the corresponding environmental claims reasonably likely to be made on such grounds, if adversely determined, could reasonably be expected to have a Material Adverse Effect;
- (o) *Environmental Claims*: no environmental claims have been commenced or (to the best of any Obligor's knowledge and belief) have been threatened in writing against any Obligor, which, if adversely determined, could (when taken together) reasonably be expected to have a Material Adverse Effect;
- (p) *Employment and Pensions*: all employment relationships are handled substantially in accordance with statutory law, applicable collective bargaining agreements and/or works council agreements and all pension schemes operated by or maintained for the benefit of members of the Group and/or any of its employees are at all times funded and/or respective accruals in the balance sheet have been set up to the extent deemed necessary by the Group for compliance with applicable laws and regulations and the rules of the schemes, on the basis of reasonable actuarial assumptions, where failure to comply could reasonably be expected to have a Material Adverse Effect;
- (q) *No other business*: during the last five years prior to Original Facility Date, no Obligor has traded or carried on any business other than conducting the business of acquiring, managing, letting and owning the Properties and related activities and the holding of shares in other companies engaged in any of the foregoing, no Obligor owns any real property or interest in a real property which is material or in relation to which an Obligor receives material rental income other than the Properties, no Obligor owns directly or indirectly, legally or beneficially, any investments in any unlimited company, partnership or other entity with unlimited liability except for the limited partnership interest of SÜDOST WOBA in Striesen KG and the limited partnership interest of WOBA DRESDEN in AVW Assekuranzvermittlung GmbH & Co. KG

and no Obligor has any liabilities (whether actual or contingent) other than under the Transaction Documents or arising as a result of its ownership and/or conduct of business of managing the Properties or arising under the profit and loss transfer agreement (*Ergebnisabführungsvertrag*) between WOBA DRESDEN and Immo Service Dresden GmbH or arising from tax liabilities regarding SÜDOST WOBA's limited partnership in Striesen KG and the limited partnership interest of WOBA DRESDEN in AVW Assekuranzvermittlung GmbH & Co. KG;

- (r) *Taxation*: it has fully and timely paid all taxes, it is not materially overdue in the filing of any tax returns or payment of any taxes, besides regular external tax audits (*Betriebsprüfungen*) no other claims or investigations are being or likely to be made against it, it is tax resident only in Germany, all Obligors in aggregate do not suffer from any limitation regarding the tax deductibility of interest expenses under the German interest barrier rules (*Zinsschranke*) in additional tax payments in excess of EUR 5,000,000, no tenant under any occupational lease is and neither the Managing Agent is required to make any tax deduction or withholding from any rental income, it is not required to make any Tax Deduction from any payment under any Finance Document to a Lender which is a Qualifying Lender, it is not a member of a VAT group other than a group made up solely of Obligors and Immo Service and Dienstleistungs- und Bauhof GmbH;
- (s) *Title to assets*: subject to claims resulting in a Restitution Event, it is the legal and beneficial owner of, to, each of the Properties, has the benefit of all necessary licences, consents and authorisations required under all applicable laws and regulations in connection with its ownership of the Properties other than as set out in the legal due diligence report;
- (t) *Planning*: it has complied in all respects with the planning laws to which it or any property may be subject, has complied with any planning permission and with any condition, agreement or undertaking relating to such planning permission or otherwise relating to or affecting the/any property and has not been notified in writing of any non-compliance by the relevant administrative or planning authorities unless otherwise disclosed in the data room, in each case, if such non-compliance could, if adversely determined, reasonably be expected to have a Material Adverse Effect;
- (u) *Security*: no Security exists over all or any of the present or future assets of the Obligors expressed to be the subject of the Transaction Security, the Transaction Security has or will have first ranking priority and is not subject to any prior ranking or *pari passu* ranking Security, in each case, except as permitted under the terms of the Facility Agreement and all of the shares which are expressed to be subject to the Transaction Security are fully paid and are not subject to any option to purchase or similar rights;
- (v) *Ownership of Obligors*: the entire issued share capital of each Obligor is ultimately legally and beneficially owned and controlled by the entities disclosed in the group structure chart delivered to the Facility Agent; and
- (w) *Business Plan*: the five year business plan provided to the Arranger and Facility Agent relates solely to, and is based solely on, the Properties and their management.

Financial covenants

(a) *Scope of financial covenants*

Each Borrower is required to ensure compliance with the following financial covenants:

- (a) that on each LTV Test Date, the LTV Test is satisfied; and
- (b) that on each DSCR Test Date, the DSCR Test is satisfied.

(b) *Testing of financial covenants*

The financial covenants shall be tested by reference to the quarterly management reports, compliance certificates and valuations.

(c) *Cure payments*

If any of the DSCR Test or LTV Test is not met at any time, each Borrower is entitled to, in accordance with the terms of the Facility Agreement, procure the making of an voluntary prepayment of the Loans from a Cure Payment or deposit into the Cure Payment Account a Cure Payment, in each case, in an aggregate amount sufficient, to ensure that if such amount was used to prepay the Loans, the DSCR Test and/or LTV Test were satisfied on that date. In the case of the DSCR Test only, a Cure Payment may be made three times in total and not in respect of more than two consecutive Loan Interest Periods. Cure Payments made in respect of a breach of the LTV Test are limited to a cumulative amount of EUR 150,000,000.

Undertakings

Each Obligor will give various undertakings under the Facility Agreement which will remain in force so long as any amount is outstanding under the Finance Documents or the commitment is in force. These undertakings generally include, among other things, the following undertakings (subject, in each case, to the specific terms, exceptions and carve-outs set out in the Facility Agreement):

(a) ***Information undertakings***

- (i) *Financial statements*: undertaking by the Obligors to provide the Facility Agent (with copies for the Lenders) at the latest, 120 days after the end of each of its financial years, with its audited financial statements or, if the relevant Obligor is not required to prepare audited financial statements pursuant to the applicable statutory law, its unaudited financial statements for that financial year; and at the latest, 45 days after the end of each quarter of each of its financial years, its unaudited financial statements for the cumulative period of the financial year to date;
- (ii) *Property information and Compliance Certificate*: undertaking by the Obligors to provide the Facility Agent (with copies for the Lenders) at the latest, forty-five (45) days after the end of each quarter of each of its financial years, a quarterly management report for the previous rental quarter, a compliance certificate certifying compliance with the financial covenants as of the relevant testing test and any other information in respect of the Properties or any occupational tenant of any part of the Properties, insurances and such other information as the Facility Agent may reasonably request;
- (iii) *Miscellaneous*: undertaking by the Obligors' Agent to supply to the Facility Agent various documents including (i) the details of any litigation (current or threatened in writing), (ii) further information regarding the financial condition, business and operations of any Obligor and the assets which are the subject of the Transaction Security as any Finance Party or the Borrower Security Trustee may reasonably request, (iii) within 45 days of the end of each financial year, a Budget and (iv) if certain conditions are met, a Supplemental Budget;
- (iv) *Lender Appraisal*: undertaking by each Borrower to provide the information reasonably required for the purposes of any valuation of the Portfolio instructed by the Facility Agent (which shall not constitute a valuation as defined in the Facility Agreement) not more than once in any 12 month period. Any such Lender Appraisal shall be for the benefit of and reliance by one or more of the Finance Parties and its cost will be borne by the Lenders (as agreed between themselves).
- (v) *Notification of Default*: undertaking by each Obligor to notify the Facility Agent promptly upon becoming aware of the occurrence of any Default (and the steps, if any, being taken to remedy it), or, if requested, an undertaking by the Obligors' Agent to supply to the Facility Agent a certificate signed by two directors certifying that no Default is continuing; and
- (vi) *"Know your customer" checks*: undertaking by each Obligor to comply with such documentation as is reasonably requested by the Facility Agent or any Lender to conduct all necessary "know your customer" or other similar checks under all applicable laws and regulations.

(b) **General undertakings**

- (i) *Authorisations*: undertaking by each Obligor to obtain, comply with and maintain in full force any authorisation required under any law or regulation of any relevant jurisdiction to enable it to enter into and perform its obligations under the Transaction Documents;
- (ii) *Compliance with laws*: undertaking by each Obligor to comply in all respects with all laws where failure to do so has or would be reasonably likely to have a Material Adverse Effect;
- (iii) *Negative pledge*: undertaking by each Obligor not to create or permit to subsist any encumbrance over any of its assets or enter into or permit to subsist any related obligation except as permitted under the Facility Agreement, including, but not limited to, certain existing encumbrances and new encumbrances not adversely affecting the value of the relevant Property or, subject to specific conditions, created solely for the purposes of refinancing the indebtedness outstanding under the Facility Agreement;
- (iv) *Disposals*: undertaking by each Obligor not to enter into any transaction to sell or otherwise dispose of any asset except as permitted under the Facility Agreement, including, but not limited to, disposals of a property or the shares in an Obligor subject to the payment of the relevant Release Amount (or, in limited circumstances, the payment of the relevant amount received by the relevant Borrower) or in the context of a corporate reorganisation of an Obligor which is permitted subject to the Obligors delivering, among other things, evidence that not substantial additional liabilities will arise as a result of such reorganisation;
- (v) *Financial Indebtedness*: undertaking by each Obligor not to incur or permit to subsist any Financial Indebtedness except as permitted under the Facility Agreement;
- (vi) *Acquisitions*: undertaking by each Obligor not to acquire or invest in any asset except as permitted under the Facility Agreement;
- (vii) *Mergers*: undertaking by each Obligor not to enter into any merger or demerger except as permitted under the Facility Agreement;
- (viii) *Conduct of business*: undertaking by each Obligor to take reasonable steps to preserve and enforce its rights in respect of the Reports as a condition precedent. No Obligor shall make any material change to the nature or scope of its business, and each Obligor shall conduct its business in a reasonable and prudent manner;
- (ix) *Material Contracts*: undertaking by each Obligor not to amend the terms of any contract to which it is a party or enter into any new contract other than the Transaction Documents and certain other permitted other contracts;
- (x) *Transaction Documents*: undertaking by each Obligor (i) not to amend, vary, forego or waive any material provision, right or condition arising in or under the Transaction Documents (but not including the Finance Documents) or agree to do any of those things, without the prior written consent of the Facility Agent and (ii) to exercise its rights and comply with its material obligations under the Transaction Documents to the fullest extent possible;
- (xi) *Centre of main interests*: undertaking by each Obligor not to cause or allow its place of principal management and centre of main interests to be in any jurisdiction other than its jurisdiction of incorporation;
- (xii) *Taxation*: undertaking by each Obligor not to change its residence for tax purposes, to apply for any available tax credits, losses, reliefs to the fullest extent it is able and it is reasonable to do so, to duly and punctually pay all the taxes and other charges imposed on it, not to surrender or dispose of any credit, losses or other release available to it;
- (xiii) *Distributions*: undertaking by each Obligor not to pay any dividends or make any distributions to any of its members, except as permitted under the Facility Agreement;

- (xiv) *Share capital*: undertaking by each Obligor not to issue any shares to any person or make any share redemption or otherwise make any distribution on or in respect of its capital except as permitted under the Facility Agreement;
- (xv) *Syndication and Securitisation*: undertaking of each Obligor to co-operate to a reasonable extent with a proposed syndication or securitisation of the Loans or commitment;
- (xvi) *Limitation of General Undertakings*: the general undertakings shall not restrict any act or step by an Obligor incorporated in Germany **provided that** this is not considered by the Facility Agent to be materially adverse to the position of the Lenders;

(c) **Property undertakings**

- (i) *Planning*: undertaking by each Obligor to comply with all conditions attached to any planning permissions and all agreements or undertakings under any planning laws relating to or affecting any property owned by it;
- (ii) *Title*: undertaking by each Obligor to observe all restrictive and other covenants relating to any property where failure to do so has or would be reasonably likely to have a Material Adverse Effect and to promptly take all steps desirable to enable the Security created by the Transaction Documents to be validly registered at any land registry;
- (iii) *Leases*: undertaking by each Obligor to diligently exercise its rights under the leases and to refrain from consenting to any change to the terms of any lease or granting any new right to occupy any part of the property, except as permitted by the Facility Agreement;
- (iv) *Valuations*: undertaking by each Borrower to supply an updated valuation to the Facility Agent on an annual basis (and more frequently if a Default is then continuing);
- (v) *Managing Agent*: undertaking of each Obligor to ensure that no entity provides property or asset management services in respect of any property owned by it unless it is a Managing Agent and a Duty of Care Agreement has been entered into, and to only terminate any such Managing Agent's appointment with the consent of the Facility Agent. The Obligors are also required to ensure that the Properties are managed to a standard consistent with a prudent owner of properties;
- (vi) *Repair*: undertaking by each Borrower to keep in good and substantial repair and condition any property owned by it and any other machinery and equipment forming part of that property (including, without and, when necessary, repair the relevant property or replace its machinery and equipment by items of similar or better quality and value);
- (vii) *Alterations*: undertaking by each Obligor not to, without the Facility Agent's prior written consent, effect, carry out or permit any demolition or alteration, or change of use which could be expected to have a material adverse impact on the values of the Properties as a whole;
- (viii) *Notices*: undertaking by each Obligor to provide promptly to the Facility Agent particulars of any notice, order etc. having any material application to any property owned by it;
- (ix) *Entry and power to remedy breaches*: if, at any time, any Obligor fails to comply with its undertakings in relation to any property, it will be lawful for the Facility Agent to enter upon any property of such Obligor and take such steps as may, in the reasonable opinion of the Facility Agent, be required to remedy or rectify any such failure and do or take any action on or in relation to that property as may in the opinion of the Facility Agent be required to remedy or rectify such failure.
- (x) *Restitution and Similar Claims*: undertaking by each Obligor to monitor in accordance with good industry practice any circumstances or material developments which could reasonably be expected to result in compulsory purchase or a Restitution Event and update the Facility Agent on such developments, and to take all reasonable steps to

defend itself against any such claim and pursue and enforce all claims it may have against third parties as a result of any compulsory purchase or Restitution Event;

- (xi) *Environmental compliance*: undertaking by each Obligor to comply with all environmental laws, obtain and maintain any environmental permits and ensure that any relevant party does so, in each case, where failure to do so would be reasonably likely to have a Material Adverse Effect;
- (xii) *Environmental Claims*: undertaking by each Obligor to notify the Facility Agent of any environmental claims current, pending or threatened which, if substantiated, or facts which are reasonably likely to result in an environmental claim, would be reasonably likely to have a Material Adverse Effect.

(d) **Insurance**

- (i) *Maintenance of policies*: undertaking by each Obligor to effect and maintain or ensure that there is effected and maintained at all times with a substantial and reputable insurance office or underwriters:
 - (A) insurance in respect of each property and equipment owned by it as are insured in accordance with sound commercial practice to the full reinstatement value thereof with sufficient provision also being made for the cost of clearing the site and professional fees incidental thereto and the loss of rental income with respect to that property for a period of not less than three years and having regard to any potential increases in rental income as a result of reviews; and
 - (B) insurance against third party and public liability risks and, to the extent required in accordance with good industry practice, terrorism;
- (ii) *First loss payee*: undertaking by each Obligor to ensure that, at all times, each insurance policy is in the names of the Obligors concerned and the Borrower Security Trustee on behalf of the Finance Parties, or contains an endorsement noting the interest of the Borrower Security Trustee and naming the Borrower Security Trustee as first loss payee and to ensure that each insurance policy contains a provision under which the proceeds of the insurance are payable directly to the Borrower Security Trustee (in the event that such proceeds exceed €1,000,000), **provided that**, if the Insurance Policies are governed by German law, the Obligors will ensure that the relevant insurance providers are notified of the mortgages and land charges in favour of the Borrower Security Trustee under the Borrower Security Documents in accordance with Section 1128 para (2) of the German Civil Code (*Bürgerliches Gesetzbuch*) and Sections 142 et. seq. of the German Insurance Code (*Versicherungsvertragsgesetz*) and that each insurance provider delivers to the Borrower Security Trustee, for the benefit of the Borrower Security Trustee, a certificate of insurance in the form of a "*Versicherungsbestätigung*";
- (iii) *Interest of Borrower Security Trustee*: undertaking by each Obligor to ensure that in respect of any insurance policy where the Borrower Security Trustee is not a co-insured party, such insurance policy shall not be vitiated or avoided as against a mortgagee or security holder as a result of misrepresentation or failure to disclose by any Obligor, or of circumstances beyond the control of any insured party, and shall contain a waiver of all rights of subrogation;
- (iv) *Coverage of Insurance Policies*: undertaking by each Obligor to provide, upon the Facility Agent or Borrower Security Trustee's request, details of any insurance policy and, if the Issuer considers that the amount insured by, or the risks covered by, any such insurance policy are inadequate, to increase the amount insured by, and/or amend the category of risks covered by, any such insurance policy;
- (v) *Non-avoidance*: undertaking by each Obligor not to do or permit anything to be done which may result in any insurance policy becoming void or voidable;
- (vi) *Pay premium*: undertaking by each Obligor to duly and punctually pay all premiums and other moneys payable under all Insurance Policies to which it is a party;

- (vii) *Borrower Security Trustee effecting insurance*: undertaking by each Obligor to reimburse the Borrower Security Trustee in respect of the moneys expended by it in order to effect or renew any insurance policy in its own name or in its name and that of the relevant Obligor if such Obligor does not comply with its obligations in respect of such insurance policy;
- (viii) *Proceeds*: undertaking by each Obligor to pay all proceeds of insurance into the appropriate Control Account and to apply such proceeds in prepayment of the Secured Obligations except as otherwise permitted in accordance with the Facility Agreement;

Bank Accounts and Cash Management

The Facility Agreement contains, *inter alia*, the following provisions relating to the Obligors' bank accounts:

- (a) ***Designation of Accounts***: each Borrower is required to open and maintain in its name a Collection Account and a disposal proceeds account and each Obligor is required to open and maintain a general account in its name. The Obligors' Agent has undertaken to open and maintain in its name the Transaction Account, the Cure Payment Account and the R&M Reserve Account. The Obligors may not maintain any other account except as permitted under the Facility Agreement;
- (b) ***Account Bank***: **save as provided below**, each Borrower is required to ensure that its Accounts are maintained with an Account Bank having the Requisite Rating. If the Account Bank at which the Collection Accounts are held ceases to have the Requisite Rating, or the Obligors' Agent so requests and the Facility Agent consents to do all such things as the Facility Agent reasonably requests in order to facilitate any such change of Account Bank **provided that**:
 - (i) if the Account Bank at which the Collection Accounts are held ceases to have the Requisite Rating (but maintains a rating of its long term instruments of at least BBB+ by Fitch, and if such Account Bank is not rated by Fitch, maintains a rating of its long term instruments of at least Baa1 by Moody's or BBB+ by S&P) and the balances on such Collection Accounts are swept on a daily basis to an interim Collection Account maintained with another financial institution having the Requisite Rating (subject to the re-transfer to the existing Collection Account of such funds on the immediately following Business Day which are required to pay the Service Charge Expenses and the Operating Expenses) such change shall not be required; and
 - (ii) any Collection Account maintained with Ostsächsische Sparkasse as at the date of the Facility Agreement may continue to be maintained with Ostsächsische Sparkasse irrespective of whether or not Ostsächsische Sparkasse has the Requisite Rating;
- (c) ***Account Bank – Security***: each Obligor is required to use reasonable efforts to procure that the Account Bank acknowledges that each Account is the subject of Security in favour of the Borrower Security Trustee as security for the Secured Obligations, and waives or subordinates any lien or right of set off or other Security over, against or with respect to any Account or moneys standing to the credit of the Account other than as permitted under the Facility Agreement;
- (d) ***Payments into Accounts – Rental Income***: each Borrower has undertaken that all rental income is paid directly into its Collection Account;
- (e) ***Payments into Accounts – debt service obligations***: each Borrower has undertaken that on the 10th day of each month, an amount equal to not less than one third of the Borrowers' debt service obligations payable under the Finance Documents on the next Loan Interest Payment Date is transferred from one or more of the Collection Accounts to the Transaction Account;
- (f) ***Payments into Accounts – Cash Trap***: each Borrower has undertaken that, if a Cash Trap Event is continuing, 50 per cent. or 100 per cent. as applicable of the Surplus Cash shall be transferred to the Transaction Account on the last Business Day of each calendar month;

- (g) **Payments into Accounts – disposal proceeds and proceeds of any insurance policy:** each Obligor has undertaken that net disposal proceeds in the amount of the Release Amount and any proceeds of an insurance policy or Recovery Claim are promptly paid directly into the relevant disposal proceeds account, except as permitted under the Facility Agreement;
- (h) **Disposal Proceeds Account:** the Facility Agent has sole signing rights on the Cure Payment Account and is required, on each Loan Interest Payment Date and each Repayment Date, to withdraw such amount of the amounts standing to the credit of the disposal proceeds account as it may determine and for application in payment *pro rata* of (i) mandatory prepayment of the Loans, (ii) all amounts due in prepayment and cancellation fees under the Facility Agreement and (iii) all amounts due under the section entitled "*Conditions to repayment*" above. Any surplus is required to be paid to the relevant general account (or, if a Cash Trap Event is continuing, to the Transaction Account as set out in the Facility Agreement);
- (i) **Transaction Account:** the Facility Agent has sole signing rights on the Transaction Account and is required on each Repayment Date, to withdraw from the Transaction Account such amount as it may determine for application in or towards the obligations of the Obligors under the Finance Documents in the order set out in the Facility Agreement;
- (j) **Cure Payment Account and R&M Reserve Account:** the Facility Agent has sole signing rights on the Cure Payment Account and is required to release amounts standing to the credit of the Cure Payment Account in accordance with the terms of the Facility Agreement. The Obligors' Agent has sole signing rights on the R&M Reserve Account, (although such signing rights may be revoked if an Event of Default is continuing) and is required to apply amounts standing to the credit of the R&M Reserve Account in accordance with the terms of the Facility Agreement;
- (k) **Collection Accounts:** each Obligor has signing rights on its Collection Account(s) **provided that**, if an Event of Default is continuing, the Borrower Security Trustee shall be entitled to revoke such signing rights of the relevant Obligor in respect of the Collection Accounts (in which case the Borrower Security Trustee may exercise such signing rights). Subject to the obligation to pay net rental income into the Transaction Account in accordance with the Facility Agreement, each Obligor is required to apply properly any proceeds on deposit in the Collection Account in or towards paying or discharging all operating expenses, Service Charge Expenses, capital expenditure and taxes and any surplus on the relevant Collection Account not otherwise required to be applied in accordance with this paragraph may be transferred to the relevant general account;
- (l) **General Account:** each Obligor has signing rights on its general account **provided that**, if an Event of Default is continuing, the Borrower Security Trustee shall be entitled to revoke such signing rights of the relevant Obligor in respect of the general account (in which case the Borrower Security Trustee may exercise such signing rights) and unless an Event of Default is continuing, any Obligor may make withdrawals from its general account to be applied in or towards any purpose consistent with the Finance Documents; and
- (m) **Withdrawals:** no withdrawal may be made by any Borrower from a Control Account if a Default is continuing or would occur as a result of that withdrawal, except with the prior written consent of the Facility Agent or to pay the Secured Obligations in accordance with the Facility Agreement.
- (n) **Priority of Payments:** on each Repayment Date, the Facility Agent shall withdraw from the Transaction Account such amount as it may determine for application in or towards the obligations of the Obligors under the Finance Documents in the following order (the "**Loan Priority of Payments**"):
- (i) *first*, any unpaid costs, fees and expenses due to the Facility Agent, the Borrower Security Trustee and the Arranger under the Finance Documents;
- (ii) *second*, in or towards payment *pro rata* of all costs, fees and expenses due and payable to the Lenders under the Finance Documents;
- (iii) *third*, in or towards payment of interest due (and overdue) on the Loans;

- (iv) *fourth*, payment of the Loans *pro rata* to the extent due and payable to the Lenders **provided that**, if the Obligors' Agent has so requested in writing to the Facility Agent, the Lenders shall apply amounts received under item fourth towards repayment of principal firstly, to the Floating Rate Loan and, after repayment thereof in full, to the Fixed Rate Loan or vice-versa;
- (v) *fifth*, if an Event of Default is continuing, all other Secured Obligations **provided that**, to the extent that any Secured Obligations have not at that time fallen due and payable, the Facility Agent may hold such amount as it sees fit in an account opened in accordance with the Facility Agreement pending application towards payment of those Secured Obligations as they fall due;
- (vi) *sixth*, if a Cash Trap Event is continuing, the relevant Surplus Cash towards payment of the Loans; and
- (vii) *seventh*, if the Facility Agent determines that a Default is not continuing, any surplus not otherwise required to be applied in accordance with the Finance Documents to be paid first, into the Collection Account to the extent that, at that date the sum of the Service Charge Proceeds received is insufficient to fund all Service Charge Expenses then unpaid or undischarged and thereafter, to the extent that there are no outstanding unfunded Service Charge Expenses, into the Obligors' Agent's general account or such other general account as the Obligors' Agent may direct.

Events of default

The Facility Agreement contains the usual events of default entitling the Borrower Security Trustee (subject, in certain cases, to customary grace periods and materiality thresholds) to, accelerate the Loans and enforce the Transaction Security, including, among other things, the events of default listed below (each an "**Loan Event of Default**").

- (a) *Non-payment*: failure to pay by any Obligor on the due date any amount then due and payable under the Finance Documents (subject to certain exceptions);
- (b) *Breach of specific undertakings*: breach by any Obligor of the LTV Test or the DSCR Test (subject to remedy through Cure Payments) or the condition subsequent which requires certified land register extracts to be supplied evidencing registration of the new land charges, the assignment of the assigned land charges and deletion of the specified existing land charges;
- (c) *Breach of other undertakings*: breach by any Obligor, Shareholder or Subordinated Creditor of any provision of the Facility Agreement;
- (d) *Misrepresentation*: any representation or statement made or deemed to be made by any Obligor, Shareholder or Subordinated Creditor in the Finance Documents or in any other document delivered by or on behalf of any Obligor under or in connection with any Finance Document proves to be incorrect or misleading in any material respect when made or deemed to be made (subject to grace period of 15 Business Days);
- (e) *Cross default*: any Financial Indebtedness of any Obligor in an aggregate amount of more than EUR 5,000,000 (i) is not paid when due nor within any originally applicable grace period or any of its Financial Indebtedness or (ii) becomes due and payable prior to its specified maturity as a result of an event of default;
- (f) *Insolvency*: any Obligor (i) is or is deemed unable or admits inability to pay its debts as they fall due, or by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors, (ii) the market value of the assets of any Obligor is less than its liabilities, (iii) makes a general assignment for the benefit of its creditors, (iii) a moratorium is declared in respect of any indebtedness of any Obligor or (iv) is subject to any analogous procedure;
- (g) *Insolvency proceedings*: any Obligor (i) is subject to a moratorium being declared in respect of its indebtedness or (ii) enters a compromise, assignment or arrangement with its creditors or (iii) has a liquidator or administrator or similar officer appointed or (iv) is subject to any analogous procedure or step to those listed above in any relevant jurisdiction;

- (h) *Creditors' process*: any expropriation, attachment, distress or analogous process in any relevant jurisdiction affects any asset of any Obligor (subject to a minimum threshold of EUR 5,000,000 and a grace period of 30 days);
- (i) *Compulsory purchase*: any part of any property held by an Obligor is compulsorily purchased or is otherwise nationalised or otherwise expropriated and such expropriation has or would be reasonably likely to have a Material Adverse Effect (taking into account any compensation);
- (j) *Cessation of business*: an Obligor ceases or, threatens to cease, to carry on all or a material part of its business (other than as a result of a disposal permitted by the Facility Agreement);
- (k) *Unlawfulness*: it is or becomes unlawful for any Obligor, Shareholder or Subordinated Creditor to perform any of its obligations under the Transaction Documents;
- (l) *Repudiation and invalidity*: an Obligor, Shareholder or Subordinated Creditor repudiates a Finance Document or any of the Transaction Security or evidences its intention to do so, or any Finance Document, any Transaction Security or any obligation of any Obligor thereunder ceases to be legal, valid binding and effective (subject to a grace period);
- (m) *Material Adverse Effect*: any event or circumstance occurs which gives rise to a Material Adverse Effect (subject to a grace period of 15 Business Days) Major damage: any part of any property is destroyed or damaged and, in the opinion of the Issuer (acting reasonably), taking into account the amount and timing of receipt of the proceeds of insurance effected in accordance with the terms of the Facility Agreement, the destruction or damage has or is reasonably likely to have a Material Adverse Effect.

Acceleration

The Facility Agreement provides that on and at any time after the occurrence of a Loan Event of Default which is continuing, the Facility Agent may, by notice to the Obligors' Agent, (i) cancel the total commitments, (ii) declare that all or part of the Loans then outstanding be immediately due and payable (iii) declare that all or part of the Loans be payable on demand, (iv) direct the Borrower Security Trustee to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents and/or (v) provide a good faith estimate of any amount which is likely to become due and payable by any Obligor pursuant to any guarantee or indemnity given under the Facility Agreement and declare that amount to be immediately due and payable or payable on demand.

No petition and limited recourse

The Facility Agreement contains non-petition and limited recourse provisions in respect of the Issuer as Original Lender (but the Obligors have not entered into such provisions).

Glossary

Unless otherwise defined in this section, capitalised terms have the meaning given to them in other sections of this Prospectus and form a summary of definitions more fully set out in the Facility Agreement. For the purposes of this Prospectus:

"**Aareal**" means Aareal Bank AG, a limited liability company incorporated under the laws of the Federal Republic of Germany having its registered seat of business at Paulinerstr. 15, 65189 Wiesbaden, Germany and registered at the commercial register (*Handelsregister*) of the local court (*Amtsgericht*) of Wiesbaden under HRB 13184.

"**Account**" means any Collection Account, the Transaction Account, the Cure Payment Account, any disposal proceeds account or any general account.

"**Account Bank**" means:

- (a) with respect to any Account (other than any Collection Account maintained with Ostsächsische Sparkasse) a bank that has the Requisite Rating and is appointed in accordance with the Facility Agreement; and

- (b) with respect to any Collection Account which is as of 20 February 2013 maintained with Ostsächsische Sparkasse.

"Account Pledge Agreement" means any document entered into by an Obligor and, *inter alios*, the Borrower Security Trustee for the purposes of granting Account Pledges.

"Account Pledges" means each pledge over an Account of an Obligor created in favour of, *inter alios*, the Borrower Security Trustee.

"Acquisition Agreement" means the share sale and purchase agreement, role of deed no. 111 C/2006 of notary Dr. Matthias Cremer, Dresden, dated 16 February 2006.

"Additional Subordinated Creditor" means each person acceding to the Subordination Agreement as a Subordinated Creditor by executing and delivering a Subordinated Creditor Accession Agreement.

"Allocated Loan Amount" means with respect to a property, the amount set opposite that property in the Loan Agreement and, in relation to any property unit, an amount calculated as the proportion that (x) bears to (y) where

- (x) is the floor space of that property unit, divided by the total floor space as set out in the Loan Agreement of all property units; and
- (y) is the amount set opposite the property to which the property unit belongs in the Loan Agreement.

"Assignment Agreement" means an agreement substantially in the form set out in the Loan Agreement or any other form agreed between the relevant assignor and assignee.

"Assignment Deed" means each notarially certificated assignment deed (*notariell beglaubigte Abtretungserklärung*) together with evidence of due representation and apostil as required for German land register purposes pursuant to which an Assigned Land Charge is assigned to the Borrower Security Trustee.

"Borrowers" means WOBA DRESDEN GmbH, Liegenschaften Weißig GmbH, WOHNBAU NORTHWEST GmbH and SÜDOST WOBA DRESDEN GmbH.

"Borrower Security Documents" means:

- (a) each deed for the creation or extension of a Land Charge (*Grundschuldbestellungsurkunde, Nachverpfändungsurkunde*) including the corresponding submissions to immediate enforcement;
- (b) each security document taking security over the lease from which an Obligor derives its interest in a leased property;
- (c) each Assignment Deed;
- (d) each Security Trust Agreement;
- (e) each Security Purpose Agreement;
- (f) each Security Assignment Agreement;
- (g) each Account Pledge Agreement;
- (h) each Shares Pledge;
- (i) any document entered into pursuant to, or which amends or varies, any document referred to in paragraphs (a) to (h) above; and
- (j) any document designated as such in writing by both the Facility Agent and the Obligors' Agent entered into by, among others, any Obligor with any Finance Party.

"Break Costs" means the amount (if any) by which:

- (a) the interest (including any Floating Rate Margin and/or Fixed Rate Margin, as applicable to the relevant Loan, if and to the extent that any Loan or any part of a Loan has been securitised but only in respect of the securitised part of that Loan) which a Lender should have received for the period from the date of receipt of all or any part of its participation in any Loan or unpaid sum to the last day of the current Loan Interest Period in respect of that Loan or unpaid sum, had the principal amount or unpaid sum received been paid on the last day of that Loan Interest Period;

exceeds:

- (b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount or unpaid sum received by it on deposit with a leading bank in the European Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Loan Interest Period.

"Budget" means the budget of the Borrowers in substantially the same format as the business plan setting out, for the next three years from the due date of the delivery date for such Budget, details of the expected income and expenditure, including expected Operating Expenses (but excluding details of capital expenditure) in respect of the Portfolio to be delivered in accordance with the Facility Agreement.

"Business Day" means a day (other than a Saturday or Sunday) on which banks are open for general business in London and Frankfurt am Main and any TARGET Day.

"Cash Trap Event" means (a) the Loan to Value ratio is equal to or greater than 70 per cent. or the DSCR is equal to or less than 135 per cent. or the extension option has been exercised or a Default is continuing or (b) on or after the first anniversary of the First Utilisation Date, the Loan to Value ratio is equal to or greater than 67.5 per cent.

"Code" means the US Internal Revenue Code of 1986, as amended.

"Collection Accounts" means the accounts designated as such and maintained by each of the Borrowers in accordance with the Facility Agreement and includes its interest in any replacement of each such account or sub account or sub division of each such account.

"Control Account" means the Transaction Account, the Cure Payment Account and any disposal proceeds account.

"Credit Rating Agencies" means Fitch Ratings Ltd. ("**Fitch**"), Moody's Investors Services, Inc. ("**Moody's**"), Standard & Poor's Credit Market Services Europe Limited, a division of The McGraw-Hill Companies Inc. ("**S&P**"), DBRS Ratings Limited ("**DBRS**") and any other credit rating agency from time to time approved by the Facility Agent, and in each case includes any successors to its respective rating business.

"Cure Payment" means a payment by any Borrower in cash under the Facility Agreement to remedy a breach of a covenant relating to the LTV Test or the DSCR Test.

"Cure Payment Account" means the account designated as such and maintained by the Obligors' Agent in accordance with the Facility Agreement and includes its interest in any replacement of each such account or sub account or sub division of each such account.

"Default" means a Loan Event of Default or any event or circumstance specified in the Facility Agreement which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be a Loan Event of Default.

"DSCR" means, in respect of any DSCR Test Date, the lower of:

- (a) the debt service coverage ratio for the 12-month period ending on such DSCR Test Date, being the ratio of LTM NOI to Finance Costs for such period; and

- (b) the debt service coverage ratio for the 12-month period commencing on such DSCR Test Date, being the ratio of Projected NOI to the projected Finance Costs for such period,

and further **provided that**, in respect of each DSCR Test Date falling prior to the first anniversary of the First Utilisation Date, the DSCR shall be determined exclusively in accordance with paragraph (b) above.

"**DSCR Test**" means, with respect to each DSCR Test Date, a DSCR of not less than 125 per cent.

"**DSCR Test Date**" means the last day of each rental quarter after the First Utilisation Date.

"**Duty of Care Agreement**" means any agreement between a Managing Agent (other than a Managing Agent Intragroup), an Obligor and the Facility Agent and the Borrower Security Trustee in relation to the management of all or any part of each property in form and substance satisfactory to the Facility Agent.

"**Environmental Report**" means an environmental desk top report in relation to the Properties and addressed to, and/or capable of being relied upon by, the Finance Parties.

"**EURIBOR**" means, in relation to a Loan or unpaid sum on which interest for a given period is to accrue:

- (a) the applicable Screen Rate; or
- (b) (if no Screen Rate is available for the Loan Interest Period of that Loan or unpaid sum) the Reference Bank Rate,

as of 11:00 a.m. (Brussels time) on the Quotation Day for euro for a period comparable to the Loan Interest Period of that Loan or unpaid sum and, if any such rate is below zero per cent., EURIBOR will be deemed to be zero per cent.

"**Exit Fee**" means, in the case of prepayment under the Facility Agreement:

- (a) if the prepayment is made before the third anniversary of the First Utilisation Date, the net present value (calculated by the Facility Agent using a discount rate equivalent to the euro swap rate for the remaining period until the Final Repayment Date) of the difference between:
- (i) an amount equal to the Floating Rate Margin or the Fixed Rate Margin, as applicable, calculated on the amount of the prepayment for a period of five years; and
 - (ii) the aggregate amount of the Floating Rate Margin or the Fixed Rate Margin, as applicable to the relevant Loan, paid on the amount of the prepayment on or before such prepayment; or
- (b) if the prepayment is made on or after the third anniversary of the First Utilisation Date, the sum of:
- (i) 1.50 per cent. per annum calculated on the amount of the prepayment for the period remaining (if any) from the date of the prepayment up to (and including) the fourth anniversary of the First Utilisation Date; and
 - (ii) 0.50 per cent. per annum calculated on the amount of the prepayment for the period remaining (if any) from (but excluding) the fourth anniversary of the First Utilisation Date up to (and including) the date six months prior to the fifth anniversary of the First Utilisation Date,

provided that the above shall not apply to the Sales Basket or any Cure Payments.

"**Extension Fee**" means a fee payable by the Borrowers to the Lenders upon exercise of the extension option in an amount equal to 1.5 per cent. of the Loans outstanding as at the original Final Repayment Date.

"**Extension Margin**" means, if the extension option is exercised, 0.5 per cent. per annum.

"**Facility Agent**" means Situs Asset Management Limited.

"FATCA" means:

- (a) sections 1471 to 1474 of the Code or any associated regulations or other official guidance;
- (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; or
- (c) any agreement pursuant to the implementation of paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

"FATCA Deduction" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"Final Repayment Date" means the Loan Interest Payment Date immediately following the fifth (5th) anniversary of the First Utilisation Date of the Loans or, if that anniversary is not a Business Day, the immediately preceding Business Day or, if the extension option is exercised, the Loan Interest Payment Date immediately following the sixth (6th) anniversary of the First Utilisation Date of the Loans or, if that anniversary is not a Business Day, the immediately preceding Business Day.

"Finance Costs" means, for any period, the aggregate of all principal, interest, commitment commission and other finance costs payable by the Obligors to the Finance Parties under the Finance Documents in relation to that period **provided that** any projection shall assume that:

- (a) all scheduled amortisation payments pursuant to the Facility Agreement will be made when due; and
- (b) interest for each Fixed Rate Loan will be calculated at in accordance with the Facility Agreement; and
- (c) interest for each Floating Rate Loan will be calculated in accordance with the Facility Agreement assuming that **"EURIBOR"** in this case means the mid rate, on the close of the Business Day immediately prior to the First Utilisation Date, and subsequently on the Business Day prior to each Loan Interest Payment Date, for the 3-month Euribor rate to the first Loan Interest Payment Date and the forward 3-month Euribor rate on each future Loan Interest Payment Date, to the first anniversary date from the First Utilisation Date, and, thereafter for a 12-month period from such Loan Interest Payment Date.

"Finance Document" means:

- (a) the Facility Agreement;
- (b) the Borrower Security Documents;
- (c) the Subordination Agreement and each Subordinated Creditor Accession Agreement;
- (d) each Duty of Care Agreement;
- (e) each Transfer Certificate;
- (f) each Assignment Agreement;
- (g) each fee letter;
- (h) each Utilisation Request; and
- (i) any document designated as such by the Facility Agent and the Obligors' Agent.

"Finance Party" means the Facility Agent, the Arranger, the Borrower Security Trustee or a Lender.

"Financial Indebtedness" means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;
- (i) any amount of any liability under an advance or deferred purchase agreement if one of the primary reasons behind the entry into this agreement is to raise finance; and
- (j) (without double counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above.

"First Utilisation Date" means 20 February 2013.

"Fixed Rate" means, in respect of each Fixed Rate Loan and each Loan Interest Period.

"Fixed Rate Loans" means the loans made or to be made under the facility which are subject to a fixed rate of interest in an amount of EUR 1,023,625,000 or the principal amount outstanding for the time being of that loan.

"Fixed Rate Margin" means 2.4 per cent. per annum.

"Floating Rate Loans" means the loans made or to be made under the facility which are subject to a floating rate of interest in an amount of EUR 53,875,000 or the principal amount outstanding for the time being of that loan.

"Floating Rate Margin" means 2.25 per cent. per annum.

"GAAP" means, in relation to any person, generally accepted accounting principles in the jurisdiction of its incorporation or formation (as the case may be), including IFRS.

"Group" means WOBA Holding GmbH and its Subsidiaries for the time being.

"Guarantor" means each of the Borrowers, WOBA Holding GmbH and Bau- und Siedlungsgesellschaft Dresden mbH and **"Guarantors"** means all of them.

"Hedge Break Gain" means, in respect of any Lender Swap Transaction entered into by a Lender for the purpose of providing any Loan at a fixed rate of interest, any gain realised upon complete or partial termination of any such Lender Swap Transaction where that termination occurs, for any reason, prior to the stated maturity of that Lender Swap Transaction.

"IFRS" means international accounting standards within the meaning of the IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

"**Immo Service**" means Immo Service Dresden GmbH, a limited liability company organised under the laws of the Federal Republic of Germany registered in the commercial register kept at the local court of Dresden under registration number HRB 22088.

"**Interest Rate Swap Transaction**" has the meaning given to such term in the Facility Agreement.

"**Legal and Corporate Due Diligence Report**" means the legal due diligence report issued by Clifford Chance Partnerschaftsgesellschaft on 18 February 2013.

"**Legal Reservations**" means any matters which are set out as qualifications or reservations as to matters of law of general application in any legal opinions delivered as a condition precedent under the Facility Agreement, solely on the date of issue of such legal opinions.

"**Lender**" means:

- (a) any Original Lender; and
- (b) any person, bank, financial institution, trust, fund or other entity which has become a party as a Lender in accordance with the Facility Agreement,

which, in each case, has not ceased to be a party in accordance with the terms of the Facility Agreement.

"**Lender Appraisal**" means any valuation of the Portfolio instructed by the Facility Agent not more than once in any 12-month period.

"**Lender Swap Transaction**" means each interest rate swap transaction to which the Lender is a contracting party and which is entered into by a Lender for the purposes of providing the Fixed Rate Loan in the following circumstances:

- (a) following transfer by way of novation or otherwise to the Lender of an interest rate swap transaction under which the Lender(s) is a fixed rate payer if such transaction is either:
 - (i) an Interest Rate Swap Transaction; or
 - (ii) an interest rate swap transaction entered into from and including the date falling 60 days after 20 February 2013 that is in the form acceptable to the Arranger, **provided that** the Arranger has consulted with the Borrowers; and
- (b) if the Loans are to be extended pursuant to the extension option, each interest rate swap transaction entered into by a Lender pursuant to the exercise of such extension option.

"**Loans**" means the Fixed Rate Loans and the Floating Rate Loans and "**Loan**" means any of them.

"**Loan Event of Default**" means any event or circumstance specified as such in the Facility Agreement.

"**Loan Interest Payment Date**" means:

- (a) in relation to the Loans, 14 February, 14 May, 14 August and 14 November in each year (or, if not a Business Day, on the Business Day falling immediately thereafter in the same month or, if none, it shall end on the immediately preceding Business Day); and
- (b) in relation to any unpaid sum, the last day of a Loan Interest Period relevant to that unpaid sum.

"**Loan Interest Period**" means each period determined in accordance with the Facility Agreement.

"**Loan to Value**" means, at any time, the ratio (expressed as a percentage) that (x) bears to (y), where:

- (a) (x) is the amount of the Loans less the sum (without double counting) of:
 - (i) the aggregate amount then standing to the credit of the disposal proceeds accounts;

- (ii) after the occurrence of a Cash Trap Event, such amount then standing to the credit of the Transaction Account for application towards item "**sixth**" under the Loan Priority of Payments;
 - (iii) after the occurrence of a Loan Event of Default, such amount then standing to the credit of the Transaction Account retained under item "**fifth**" under the Loan Priority of Payments; and
 - (iv) the aggregate amount then standing to the credit of the Transaction Account for application towards the instalment repayments of the Loans on each Loan Interest Payment Date; and
- (b) (y) is the sum of:
- (i) the aggregate market value of the Properties (determined in accordance with the most recent valuation); and
 - (ii) the aggregate amount then standing to the credit of the Cure Payment Account.

"**LTM NOI**" means NOI for the preceding twelve month period.

"**LTV Test**" means, with respect to any LTV Test Date, a Loan to Value ratio of not more than 75 per cent.

"**LTV Test Date**" means 30 June and 31 December of each calendar year.

"**Majority Lenders**" means:

- (a) if no Loan is then outstanding, a Lender or Lenders whose commitments aggregate more than 66 $\frac{2}{3}$ per cent. of the total commitments (or, if the total commitments have been reduced to zero, aggregated more than 66 $\frac{2}{3}$ per cent. of the total commitments immediately prior to the reduction); or
- (b) at any other time, a Lender or Lenders whose participations in the Loans then outstanding aggregate more than 66 $\frac{2}{3}$ per cent. of the Loans then outstanding.

"**Management Agreement**" means any agreement, in form and substance satisfactory to the Facility Agent, between the Managing Agent (other than a Managing Agent Intragroup) and the Obligors appointing the Managing Agent as managing agent of each property.

"**Managing Agent**" means any:

- (a) Managing Agent Intragroup; or
- (b) firm of asset managers that is an appropriately qualified firm of property professionals (other than an Obligor or a subsidiary of the Parent) appointed by the Obligors and approved in writing by the Facility Agent to act as managing agent in respect of any property (such approval not to be unreasonably withheld or delayed) and which has entered into a Duty of Care Agreement.

"**Managing Agent Intragroup**" means an Obligor or a subsidiary of the Parent, appointed by the Obligors to act as managing agent in respect of any property.

"**Mandatory Cost**" means the percentage rate per annum calculated by the Facility Agent in accordance with the Facility Agreement.

"**Material Adverse Effect**" means any present or future event or circumstance which has a material adverse effect on:

- (a) the business, assets or financial condition of the Obligors taken as a whole;
- (b) the ability of the Obligors taken as a whole to perform their payment obligations; or

- (c) the legality, validity, enforceability of any provision of the Finance Documents (but excluding any events or circumstances which are subject to any Legal Reservation), in each case in a manner which is, in the Lenders' opinion acting reasonably and based on external counsel's advice materially prejudicial in any respect to the interest of the Lenders.

"**NOI**" means:

- (a) the total income received by the Obligors in respect of the letting, use or occupation of the Properties (excluding any disposal proceeds or refinancing proceeds) and other operating or financial income of the Obligors (including, without limitation, any income received by WOBA DRESDEN as profit under the profit and loss transfer agreement (*Ergebnisabführungsvertrag*) between WOBA DRESDEN and Immo Service); less
- (b) the total amount of operating expenses,

in each case, for the relevant period.

"**Obligor**" means a Borrower or a Guarantor.

"**Obligors' Agent**" means WOBA Holding GmbH appointed to act on behalf of each Obligor in relation to the Finance Documents pursuant to the Facility Agreement.

"**Original Lender**" means TAURUS 2013 (GMF1) plc.

"**Parallel Obligations**" means the independent obligations of any of the Obligors arising pursuant to the Facility Agreement to pay to the Borrower Security Trustee sums equal to the sums owed by such Obligor to the other Finance Parties (or any of them) under the Finance Documents.

"**Parent**" means GAGFAH S.A.

"**Portfolio**" means all Properties or all property units, as the case may be.

"**Projected NOI**" means the estimated NOI for the following twelve month period.

"**Qualifying Lender**" means a Lender which is beneficially entitled to interest payable to that Lender in respect of an advance under a Finance Document and is:

- (a) lending through a facility office in Germany;
- (b) a Treaty Lender; or
- (c) a Lender who is entitled to receive interest payments without a Tax Deduction when it becomes a Lender.

"**Quotation Day**" means, in relation to any period for which an interest rate is to be determined, two TARGET Days before the first day of that period unless market practice of any Lender differs in the European interbank market in which case the Quotation Day will be determined by the Facility Agent in accordance with that Lender's market practice in the European interbank market (and if quotations would normally be given by leading banks in the European interbank market on more than one day, the Quotation Day will be the last of those days).

"**R&M Reserve Account**" means each account designated as such and maintained by the Obligors' Agent and includes its interest in any replacement of any such account or sub-division or sub-account of any such account.

"**Recovery Claim**" means any claim against the provider (or any employee, officer or adviser of that provider) of any form of due diligence report relating to the refinancing or development of any property (in its capacity as a provider of that report).

"**Reference Bank Rate**" means the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request by the Reference Banks as the rate at which the relevant Reference Bank could borrow funds in the European interbank market in the relevant currency and for the

relevant period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in that currency and for that period.

"Reference Banks" means in relation to EURIBOR and Mandatory Cost, the principal office in London of Deutsche Bank AG, HSBC Bank plc and Barclays Bank plc or such other banks as may be appointed by the Facility Agent (in consultation with the Obligors' Agent on the day of appointment).

"Release Agreement" means the security release agreement entered into prior to the first Utilisation between, *inter alios*, the Obligors, Windermere IX CMBS (*Multifamily*) S.A. and DECO 14 – Pan Europe 5 B.V. as lenders and ABN AMRO Bank (*Luxembourg*) S.A. as security agent under the existing facility in respect of the security granted to secure the existing facility and the trust instruction to a notary in relation to the Assignment Deed.

"Release Amount" means, in relation to a disposal or an insurance claim for the purposes of prepayment in accordance with the Facility Agreement or a Restitution Event resulting in a transfer of title in the property or encumbrance with a material right for a third party having a similar economic effect, in each case, in whole or in part (whether voluntarily or involuntarily), an amount in euro equal to:

- (a) 115 per cent. of the Allocated Loan Amount in respect of the relevant property (or, in the case of a disposal of shares in an Obligor, in respect of the property owned by that Obligor or by any subsidiary of that Obligor) if the disposal, insurance claim or Restitution Event occurs prior to the third anniversary of the First Utilisation Date;
- (b) 110 per cent. of the Allocated Loan Amount in respect of the relevant property (or, in the case of a disposal of shares in an Obligor, in respect of the property owned by that Obligor or by any subsidiary of that Obligor) if the disposal, insurance claim or restitution claim occurs on or after the third anniversary but before the fourth anniversary of the First Utilisation Date;
- (c) 105 per cent. of the Allocated Loan Amount in respect of the relevant property (or, in the case of a disposal of shares in an Obligor, in respect of the property owned by that Obligor or by any subsidiary of that Obligor) if the disposal, insurance claim or Restitution Event occurs on or after the fourth anniversary of the First Utilisation Date; or
- (d) 100 per cent. of the Allocated Loan Amount in respect of the relevant property (or, in the case of a disposal of shares in an Obligor, in respect of the property owned by that Obligor or by any subsidiary of that Obligor) if the disposal, insurance claim or Restitution Event occurs within the last six months prior to the Final Repayment Date, with the prior written approval of the Facility Agent, such approval not to be unreasonably withheld if the Obligors provide to the Facility Agent evidence of a binding commitment of a lender for the financing of the purchase or disposal of relevant Properties (or shares in an Obligor, as applicable) which are the subject of the disposal in an amount of not less than the Allocated Loan Amount.

"Repayment Date" means each Loan Interest Payment Date and the Final Repayment Date.

"Reports" means the Legal and Corporate Due Diligence Report, the Tax Memorandum, the Technical Report, the Environmental Report and the initial valuation.

"Requisite Rating" means the rating of long or short term (as appropriate) unsecured debt instruments in issue by a person (which are neither subordinated nor guaranteed) which meet the following requirements:

- (a) in relation to Aareal as a bank at which an Account (other than a Control Account), is held:
 - (i) short term instruments with ratings of at least F1 by Fitch; and
 - (ii) long term instruments with ratings of at least A- by Fitch;
- (b) in relation to a bank at which an Account is held (otherwise than in accordance with (a) above):
 - (i) short term instruments with ratings, from not less than two Credit Rating Agencies, of at least F1 by Fitch, P-1 by Moody's or A-1 by S&P; and

- (ii) long term instruments with ratings, from not less than two Credit Rating Agencies of at least A by Fitch and A2 by Moody's or A by S&P; and
- (c) in relation to any insurance company or underwriter, long term instruments with ratings, or a financial strength ratings, in each case from not less than two Credit Rating Agencies of at least A by Fitch, A2 by Moody's or A by S&P.

"**Restitution Event**" means in relation to a property, the transfer of such property (or parts thereof) to a third party, mandatory payment of compensation claims to a third party, extinction or limitation of rights of an Obligor or interests of the Borrower Security Trustee, the creation of any rights for the benefit of third Parties or similar effects as a result of public law regulations applying to real properties located in the former German Democratic Republic, including without limitation, under the Law on the Settlement of Open Property Issues (*Gesetz zur Regelung offener Vermögensfragen*), the Land Separation Act (*Bodensonderungsgesetz*) and the Law on Settlement of Property Law Issues (*Sachenrechtsbereinigungsgesetz*).

"**Sales Basket**" means EUR 22,500,000 per annum **provided that** any unutilised portion in any year may be utilised in any subsequent years.

"**Screen Rate**" means the percentage rate per annum determined by the Banking Federation of the European Union for the relevant period, displayed on the appropriate page of the Reuters screen. If the agreed page is replaced or service ceases to be available, the Facility Agent may specify another page or service displaying the appropriate rate after consultation with the Obligors' Agent and the Lenders.

"**Second Utilisation Date**" means 13 May 2013.

"**Secured Obligations**" means any and all obligations (present and future, actual and contingent) which are (or are expressed to be) or become owing by the Obligors (or any of them) to the Finance Parties or any of them under or in connection with the Finance Documents (including, but not limited to the Parallel Obligations). The Secured Obligations shall include any obligation based on unjust enrichment (*ungerechtfertigte Bereicherung*) or tort (*Delikt*).

"**Security**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect, including but not limited to any security *in rem* (dingliche Sicherheit), any pledge (*Pfandrecht*), lien based on general business conditions (AGB-Pfandrecht) or assignment for security purposes (*Sicherungsabtretung*), any right under a submission to immediate enforcement (*Unterwerfung unter die sofortige Zwangsvollstreckung*).

"**Security Assignment Agreement**" means any security assignment entered into between the Obligors or any of them and the Borrower Security Trustee creating, *inter alia*, a security interest over the Obligors' rights under all of its insurance contracts, lease documents, inter-company loans, management agreements and other service contracts.

"**Security Purpose Agreement**" means a security purpose agreement entered into by each Obligor and the Borrower Security Trustee regarding a Land Charge.

"**Security Trust Agreement**" means a security trust agreement entered or to be entered into between, among others, the Facility Agent, the Borrower Security Trustee, the Lenders and the Obligors.

"**Service Charge Expenses**" means:

- (a) any expense or liability incurred by a tenant under an occupational lease:
 - (i) by way of reimbursement of expenses incurred, or on account of expenses to be incurred, by or on behalf of an Obligor in the management, maintenance and repair or similar obligation of, or the provision of services specified in that occupational lease in respect of, the relevant property and the payment of insurance premiums for that property; or
 - (ii) in respect of expenses incurred by or on behalf of, an Obligor for a breach of covenant under such occupational lease where such amount is or is to be applied by that Obligor *in remedying* such breach or discharging such expenses;

- (b) any contribution paid by a tenant to ground rent (or VAT chargeable in respect of ground rent) due under any lease out of which an Obligor derives its interest in that property; and
- (c) any amount in respect of any management, maintenance, insurance, repair or similar expense or in respect of the provision of services relating to any property to the extent that such amount is not recoverable from a tenant.

"**Service Charge Proceeds**" means any payment for Service Charge Expenses.

"**Settlement Agreement**" means the settlement agreement, role of deed no. 841/2012 H of notary Dr. Heribert Heckschen, Dresden, dated 2 March 2012.

"**Shareholder**" means each of GAGFAH S.A., GAGFAH Holding GmbH, WOBA Holding GmbH, WOBA DRESDEN GmbH and Opera Co-Acquisition GmbH & Co. KG in its capacity as pledgor under a Shares Pledge.

"**Shares Pledge**" means any shares pledge in respect of the shares in the Obligors and Immo Service entered or to be entered into by a Shareholder (other than GAGFAH S.A.) in favour of the Borrower Security Trustee.

"**Social Charta**" means the so-called (a) "**Dresden Social Charta**" passed by the city council (*Stadtrat*) of Dresden on 22 September 2005 as amended and implemented by the Acquisition Agreement and by the Settlement Agreement and (b) "**Zwickau Social Charta**" passed by the city of Zwickau on 6 December 2006 as implemented by the sale and purchase agreement entered into between GAGFAH Dritte Grundbesitz GmbH & Co. KG and Gebäude- und Grundstücksgesellschaft Zwickau mbH dated 29 June 2007.

"**Striesen KG**" means 12. CR Immobilien-Vermietungsgesellschaft mbH & Co. SÜDOST WOBA Striesen KG, a limited partnership (*Kommanditgesellschaft*) having its registered seat in Leipzig, registered in the commercial register of the local court of Leipzig under registered number HRA 12998.

"**Subordinated Creditor**" means GAGFAH Holding GmbH, Opera Co-Acquisition GmbH & Co. KG, Immo Service, the Obligors and any Additional Subordinated Creditor.

"**Subordinated Creditor Accession Agreement**" means an agreement substantially in the form set out in the schedule to the Subordination Agreement with such amendments as the Facility Agent may approve or require.

"**Subordination Agreement**" means the subordination agreement entered or to be entered into between the Obligors, the Subordinated Creditors, the Facility Agent and the Borrower Security Trustee.

"**SÜDOST WOBA**" means SÜDOST WOBA DRESDEN GmbH, a limited liability company organised under the laws of the Federal Republic of Germany registered in the commercial register kept at the local court of Dresden under registration number HRB 2649.

"**Supplemental Budget**" means, following any DSCR Test Date on which the DSCR is less than 145 per cent. or following any LTV Test Date on which the Loan to Value ratio is more than 65 per cent., each Budget (supplemented with details of capital expenditure) of the Obligors, broken down into calendar months for the next twelve months from the delivery of the Supplemental Budget to be delivered in accordance with the Facility Agreement.

"**Surplus Cash**" means if a Cash Trap Event is continuing:

- (a) in respect of the Collection Account(s) of each Borrower and each calendar month, net rental income received during the relevant calendar month less (i) its operating expenses paid during that calendar month, (ii) an amount which is required for working capital purposes of the following month in line with the forecasts set out in the Supplemental Budget (or, in case a Supplemental Budget is not yet available, as agreed with the Facility Agent), (iii) the amount of any capital expenditures budgeted in relation to any property in the Supplemental Budget (or, in case a Supplemental Budget is not yet available, as agreed with the Facility Agent) paid during that calendar month, (iv) the amount of any taxes paid during that calendar month and the retention of an accrual for any taxes accrued or incurred which are not payable on a monthly

basis, and (v) amounts previously transferred to the Transaction Account during that month pursuant to the Facility Agreement; and

- (b) in respect of each disposal proceeds account, the surplus amounts referred to in the Facility Agreement.

"TARGET2" means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

"TARGET Day" means any day on which TARGET2 is open for the settlement of payments in euro.

"Tax Deduction" means a deduction or withholding for or on account of tax from a payment under a Finance Document other than a FATCA Deduction.

"Tax Memorandum" means a tax memorandum covering certain German tax aspects relevant for the WOBA Group (e.g. with respect to their tax status, tax groups, earning stripping rules, extended trade tax deduction), which was prepared by an international tax and accounting firm.

"Technical Report" means a building survey report commissioned by the Borrowers in relation to the Properties in Dresden dated 31 January 2013 and in relation to the Properties in Zwickau dated 19 February 2013 and addressed to, and/or capable of being relied upon by, the Finance Parties.

"Transaction Account" means the account designated as such and maintained by the Obligors' Agent in accordance with the Facility Agreement and includes its interest in any replacement of such account or sub account or sub division of such account.

"Transaction Document" means each of:

- (a) the Finance Documents;
- (b) the Release Agreement;
- (c) each agreement evidencing an Obligors' entitlement to a leased property;
- (d) each Management Agreement;
- (e) the Social Charta;
- (f) the Acquisition Agreement;
- (g) the Settlement Agreement; and
- (h) any other document designated as such by the Facility Agent and the Obligors' Agent.

"Transaction Security" means the Security created or evidenced or expressed to be created or evidenced in favour of the Borrower Security Trustee or other Finance Parties pursuant to the Borrower Security Documents.

"Transfer Certificate" means a certificate substantially in the form set out in the schedule to the Facility Agreement or any other form agreed between the Facility Agent and the Obligors' Agent.

"Treaty Lender" means a Lender which:

- (a) is treated as a resident of a Treaty State for the purposes of the Treaty;
- (b) does not carry on a business in Germany through a permanent establishment with which that Lender's participation in the Loans is effectively connected.

"Treaty State" means a jurisdiction having a double taxation agreement (a **"Treaty"**) with Germany which makes provision for full exemption for tax imposed by Germany on interest.

"Utilisation" means a utilisation of the facility.

"Utilisation Date" means the date of a Utilisation.

"Utilisation Request" means a notice substantially in the form set out in the schedule to the Loans.

"Valuer" means Jones Lang Lasalle in relation to the initial valuation and CBRE GmbH or any other firm of chartered surveyors selected and appointed by the Borrowers and approved in writing by the Facility Agent to act as valuer for the purposes of the Facility Agreement.

"VAT" means:

- (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere.

"WOBA DRESDEN" means WOBA DRESDEN GmbH, a limited liability company organised under the laws of the Federal Republic of Germany registered in the commercial register kept at the local court of Dresden under registration number HRB 22087.

BANK ACCOUNTS AND CASH MANAGEMENT

Bank Accounts

The Borrowers' Bank Accounts

Each Borrower has opened a Collection Account in its own name at the Account Bank. In addition each Borrower has opened a Disposal Proceeds Account at the Account Bank, together the "**Borrower's Bank Accounts**".

Each Obligor has opened a General Account in its own name at the Account Bank, together the "**Obligor's Bank Accounts**".

The Obligor's Agent has opened the Transaction Account, the Cure Payment Account and the R&M Reserve Account at the Account Bank, the "**Obligor's Agent's Bank Account**".

The Transaction Account, the Cure Payment Account and the Disposal Proceeds Accounts are referred to as "**Control Accounts**".

Account Banks

"**Account Bank**" means:

- (a) with respect to any Account (other than any Collection Account maintained with Ostsächsische Sparkasse) a bank that has the Requisite Rating and is appointed in accordance with the provisions of the Facility Agreement; and
- (b) with respect to any Collection Account which is as of the date of the Facility Agreement maintained with Ostsächsische Sparkasse, Ostsächsische Sparkasse.

Subject to the exceptions in relation to the Collection Accounts below, if an Account Bank ceases to have the Requisite Rating due to the downgrade or withdrawal of its relevant ratings, the Borrowers, the Obligors and/or the Obligor's Agent shall, upon request of the Facility Agent, transfer the relevant Account to another Account Bank which has the Requisite Rating or is approved in writing by the Facility Agent as soon as reasonably practicable after the request, **provided that**:

- (a) If Aareal Bank (as a bank at which certain Collection Accounts are held) ceases to have the Requisite Rating, each Borrower shall, if the Facility Agent so requires, transfer the Collection Accounts to another Account Bank which:
 - (i) has the Requisite Rating; or
 - (ii) which is approved in writing by the Facility Agent,

as soon as reasonably practicable after the request, **provided that**, if Aareal Bank ceases to have the Requisite Rating (but maintains a rating of its long term instruments of at least BBB+ by Fitch, and if such Account Bank is not rated by Fitch, maintains a rating of its long term instruments of at least Baa1 by Moody's or BBB+ by S&P) the Facility Agent shall not be entitled to request the change of the Account Bank, **provided further that**, the Borrowers procure that the balances on such Collection Accounts are swept on a daily basis to an interim Collection Account maintained with another financial institution having the Requisite Rating (subject to the re-transfer of such amounts which are required to pay the service charge expenses and operating expenses).

- (b) Certain Collection Accounts, were, as at the date of the Facility Agreement, maintained with Ostsächsische Sparkasse. Such Collection Accounts may continue to be maintained with Ostsächsische Sparkasse irrespective of whether or not Ostsächsische Sparkasse has the Requisite Rating.

"Requisite Rating" means the rating of long or short term (as appropriate) unsecured debt instruments in issue by a person (which are neither subordinated nor guaranteed) which meet the following requirements:

- (a) in relation to Aareal as a bank at which an Account (other than a Control Account), is held:
 - (i) short term instruments with ratings of at least F1 by Fitch; and
 - (ii) long term instruments with ratings of at least A- by Fitch;
- (b) in relation to a bank at which an Account is held (otherwise than in accordance with (a) above):
 - (i) short term instruments with ratings, from not less than two Credit Rating Agencies, of at least F1 by Fitch, P-1 by Moody's Investors Service Limited ("**Moody's**") or A-1 by Standard Poor's Credit Market Services Europe Limited ("**S&P**"); and
 - (ii) long term instruments with ratings, from not less than two Credit Rating Agencies of at least A by Fitch and A2 by Moody's or A by S&P.

For further information on the above accounts see "*The Facility Agreement*".

The Issuer Bank Accounts

Pursuant to the Issuer Account Bank Agreement, the Issuer Account Bank will open and maintain:

(a) ***The Issuer Transaction Account***

Pursuant to the Issuer Account Bank Agreement, the Issuer Account Bank will open and maintain an account in the name of the Issuer (the "**Issuer Transaction Account**") into which all collections in respect of the Loans will be paid.

The Issuer and the Issuer Cash Manager may make payments out of the Issuer Transaction Account in accordance with the terms of the relevant priority of payment, the Issuer Deed of Charge and the Issuer Account Bank Agreement.

(b) ***The Swap Collateral Accounts***

Collateral amounts (if any) that may be required to be posted by the Interest Rate Swap Counterparty pursuant to a Credit Support Annex may be delivered in the form of cash or securities. Cash amounts will be paid into a swap collateral cash account opened with a suitably rated bank for such purpose, the "**Swap Collateral Cash Account**". If a securities account is required, the "**Swap Collateral Custody Account**" will be required to be opened (with a suitably rated bank) for such purpose and securities will be transferred to the Swap Collateral Custody Account.

(c) ***The Stand-by Account***

Any Stand-by Drawing which the Issuer shall require from the Liquidity Facility Provider will be credited to an account in the name of the Issuer (the "**Stand-by Account**") with the Issuer Account Bank.

(d) ***Other accounts***

Such other accounts as the Issuer Cash Manager may be required to open for or on behalf of the Issuer and in which the Issuer may at any time acquire any right, title, interest or benefit or otherwise place and hold its cash or securities.

(together, the "**Issuer Bank Accounts**").

Termination of Appointment of the Issuer Account Bank

The Issuer Account Bank Agreement requires that the Issuer Account Bank is, except in certain limited circumstances, a bank with short-term, unsecured, unguaranteed and unsubordinated debt obligations of at least "F1" by Fitch and a long-term issuer default rating of at least "A" by Fitch and "A" by DBRS.

The Issuer Account Bank may resign as Issuer Account Bank, upon not fewer than 90 days' written notice of resignation to each of the Issuer, the Servicing Entities, the Issuer Security Trustee and the Issuer Cash Manager **provided that** a suitably qualified replacement Issuer Account Bank has been appointed and if no replacement has been appointed after two months, it may appoint the replacement itself.

If, other than in the circumstances specified above, the Issuer Cash Manager wishes the bank or branch at which any account of the Issuer is maintained to be changed, the Issuer Cash Manager will obtain the prior written consent of the Issuer and the Issuer Security Trustee, and the transfer of such account will be subject to the same directions and arrangements as are provided for above.

The Noteholders (acting as a single class) may by an Ordinary Resolution require the removal and replacement of the Issuer Account Bank **provided that** by such Ordinary Resolution, the Noteholders ratify the appointment of a suitably qualified replacement Issuer Account Bank, and such replacement is appointed by the Issuer prior to the removal of the existing Issuer Account Bank.

Cash Management

Issuer Cash Manager

Pursuant to the Cash Management Agreement the Issuer will appoint the Issuer Cash Manager to be its agent to provide certain cash management services (the "**Cash Management Services**") in relation to the Issuer Transaction Account and any other Issuer Bank Accounts. The Issuer Cash Manager will undertake with the Issuer and the Issuer Security Trustee that in performing the services to be performed and in exercising its discretions under the Cash Management Agreement, the Issuer Cash Manager will perform such responsibilities and duties diligently and in conformity with the Issuer's obligations with respect to the transaction and that it will comply with any directions, orders and instructions which the Issuer or the Issuer Security Trustee may from time to time give to the Issuer Cash Manager in accordance with the Cash Management Agreement.

Issuer Account Bank and Issuer Bank Accounts

The Issuer Account Bank has agreed to comply with any direction of the Issuer Cash Manager or the Issuer Security Trustee to effect payments from the Issuer Bank Accounts if such direction is made in accordance with the Issuer Account Bank Agreement and the mandate governing the applicable account.

Calculation of Amounts and Payments

On each Determination Date, the Issuer Cash Manager is required to determine all amounts due in accordance with the applicable Priority of Payments on the forthcoming Note Payment Date and the amounts available to make such payments. In addition, the Issuer Cash Manager will calculate the Principal Amount Outstanding and the Note Factor for each Class of Notes for the Note Interest Period commencing on the next following Note Payment Date and the amount of each principal payment (if any) due on each Class of Notes on the next following Note Payment Date, in each case pursuant to Condition 6(e) (*Redemption and Cancellation – Principal Amounts Outstanding and Note Factor*).

The Issuer Cash Manager will make all Liquidity Drawings and/or Stand-by Drawings on behalf of the Issuer and if the Issuer Cash Manager fails to submit a notice of drawdown when it is required to do so, then either the Issuer or, if the Issuer fails to do so, the Issuer Security Trustee may submit the relevant notice of drawdown.

If the Servicer or, as the case may be the Special Servicer fails to supply the Issuer Cash Manager with any information it requires to make the relevant determinations, the Issuer Cash Manager will make its determinations based on the information provided to it by the Servicer or, as the case may be, the Special Servicer on the three preceding Determination Dates and will not be liable to any person (in the absence of gross negligence, fraud or wilful default) for the accuracy of such determinations.

Furthermore, if for whatever reason, an incorrect payment is made to any party entitled thereto (including the Noteholders of any Class) pursuant to the Priorities of Payment, the Issuer Cash Manager will rectify the same by increasing or reducing payments to such party (including the Noteholders of any Class), as appropriate, on each subsequent Note Payment Date or Note Payment Dates (if applicable) to the extent required to correct the same. Neither the Issuer nor the Issuer Cash Manager will have any liability to any person for making any such correction.

Permitted Investments

Permitted Investments and Money Market Funds

Pursuant to the Cash Management Agreement, the Issuer Cash Manager on the instruction of the Issuer will procure (pursuant to an instruction in writing from the Issuer or the Special Servicer) that moneys on deposit in the Stand-by Account will be invested in Permitted Investments.

Further, where the amounts on deposit in the Stand-by Account available to the Issuer Cash Manager for investment in Permitted Investments at any time exceeds one third of the aggregate projected Revenue Receipts and Principal Receipts that will be payable on the next Note Payment Date, the Issuer Cash Manager will be required pursuant to an instruction in writing from the Issuer or, following the delivery of a Note Acceleration Notice, the Note Trustee to invest the excess of such amounts over the aggregate projected Revenue Receipts and Principal Receipts that will be payable on the next Note Payment Date in Permitted Investments.

"Permitted Investments" means:

- (a) any senior, unsubordinated debt security, investment, commercial paper, deposit (including, for the avoidance of doubt, any moneys on deposit in any of the Issuer Bank Accounts) or other debt instrument (including, for the avoidance of doubt, a money market fund) issued by, or fully and unconditionally guaranteed by, an Eligible Institution, which:
 - (i) will be denominated in Euro;
 - (ii) (except in the case of a cash deposit) is primarily settled through Euroclear or Clearstream, Luxembourg;
 - (iii) will have a maturity date falling within a period of 30 calendar days (**provided that**, if the scheduled maturity date is longer than a period of 30 calendar days, such Eligible Investment will be required to have a long-term rating of "AA-" and/or a short-term rating of "F1+" from Fitch), and in any event, which are redeemable at par together with accrued unpaid interest, not later than one Business Day prior to the next following Note Payment Date (the "**Liquidation Date**");
- (b) (except in the case of a deposit) will be in the form of notes or financial instruments having a short-term rating of at least "F1" from Fitch, respectively, **provided that**:
 - (i) any Permitted Investment in notes or financial instruments having a short-term rating of "F1" from Fitch, respectively, will not comprise more than 20 per cent. of a single rated issue's outstanding principal amount; and
 - (ii) with respect to any investment made using moneys on deposit in the Stand-by Account, Permitted Investments will be money market funds which have an "AAAmf" long-term rating (or its equivalent) Fitch for their unguaranteed, unsecured and unsubordinated debt obligations or, as applicable, such other long-term debt rating as is commensurate with the rating assigned to the Most Senior Class of Notes from time to time; and
 - (iii) where the amounts available to the Issuer Cash Manager for investment in Permitted Investments at any time exceed one third of the aggregate projected Revenue Receipts and Principal Receipts that will be payable on the next Note Payment Date, with respect to the investment of the excess of such amounts over the aggregate projected Revenue Receipts and Principal Distributions Amounts that will be payable on the next Note Payment Date, Permitted Investments will be money market funds which have an "AAAmf" long-term rating (or its equivalent) Fitch for their unguaranteed, unsecured and unsubordinated debt obligations or, as applicable, such other long-term debt rating as is commensurate with the rating assigned to the Notes from time to time; and
 - (iv) provides for principal to be repaid in respect of such investment which is at least equal to the price paid to purchase such investment and does not fall to be determined by reference to any formula or index and is not subject to any contingency; and

(v) complies with the criteria set out in the following tables:

in respect of ratings by Fitch:

Current Rating of the Notes	Minimum Required Ratings of Permitted Investments
AAAsf	"A" with a short-term rating of "F1"
AA+sf	"A-" with a short-term rating of "F2"
A+sf	"BBB+" with a short-term rating of "F2"
BBB+sf	"BBB-" with a short-term rating of "F3"
BB+sf	At least as high as the Most Senior Class of Notes' rating
B+sf and below	At least as high as the Most Senior Class of Notes' rating

in respect of ratings by DBRS (for Permitted Investments with a maturity up to 30 days):

Current Rating of the Notes	Minimum Required Ratings of Permitted Investments
AAASF	"A" or "R-1 (middle)"
A (high)SF	"BBB (high)" or "R-2 (high)"
ASF	"BBB" or "R-2 (middle)"
A (low)SF	"BBB (low)" or "R-2 (low)"
BB (high)SF	"BB (high)" or "R-3"
BBSF	"BB" or "R-4"
BB (low)SF	"BB (low)" or "R-4"
B (high)SF	"B (high)" or "R-4"
BSF	"B" or "R-4"
B (low)SF	"B (low)" or "R-5"

in respect of ratings by DBRS (for Permitted Investments with a maturity greater than 30 days):

Maximum maturity of Permitted Investment	Minimum Required Ratings of Permitted Investments
90 days	"AA (low)" or "R-1 (middle)"
180 days	"AA" or "R-1 (high)"
365 days	"AAA" or "R-1 (high)"

- (c) repurchase transactions between the Issuer and Eligible Institution in respect of which the obligations of the Eligible Institution to repurchase from the Issuer the underlying debt securities are senior and unsubordinated and rank *pari passu* with other senior and unsubordinated debt obligations of the Eligible Institution and qualifies for an exemption from United States withholding tax if the repurchase transaction is with a United States Eligible Institution.

"Eligible Institution" means any depository institution, organised under the laws of any state which is a member of the European Union or of the United States, whose:

- (a) long-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least **"A"** by Fitch; and
- (b) short-term unsecured, unsubordinated and unguaranteed debt obligations are rated at least **"F1"** by Fitch.

Issuer Cash Manager Quarterly Report

The Issuer Cash Manager will after each Note Payment Date make available electronically to the Issuer, the Issuer Security Trustee, the Note Trustee, the Servicing Entities and the Rating Agencies, a statement to the Noteholders in respect of each Note Payment Date in which it will notify the recipients of, among other things, all amounts received in the Issuer Transaction Account and payments made with respect thereto (the **"Issuer Cash Manager Quarterly Report"**).

The Issuer Cash Manager will publish each Issuer Cash Manager Quarterly Report at www.usbank.com/abs.

It is not intended that the Issuer Cash Manager Quarterly Reports will be made available in any other format, save in certain limited circumstances with the Issuer Cash Manager's agreement. The Issuer Cash Manager's website does not form part of the information provided for the purposes of this Prospectus and disclaimers may be posted with respect to the information posted thereon.

Delegation by the Issuer Cash Manager

The Issuer Cash Manager will not be permitted to sub-contract or delegate the performance of any of its obligations under the Cash Management Agreement to any sub-contractor, agent, representative or delegate without the prior written consent of the Issuer and the Issuer Security Trustee, such consent (with regard to the Issuer) not to be unreasonably withheld. In any event, any delegated or sub-contracted obligations, when the necessary consent is given, will not relieve the Issuer Cash Manager from any liability under the Cash Management Agreement.

Fees

Pursuant to the Cash Management Agreement, the Issuer will pay to the Issuer Cash Manager on each Note Payment Date a cash management fee as agreed between the Issuer Cash Manager and the Issuer and will reimburse the Issuer Cash Manager for all costs and expenses properly incurred by the Issuer Cash Manager in the performance of the Cash Management Services.

Termination of Appointment of the Issuer Cash Manager

The appointment of Elavon Financial Services Limited, London Branch as Issuer Cash Manager under the Cash Management Agreement may be terminated by virtue of its resignation or its removal by the Issuer or the Issuer Security Trustee. The Issuer (prior to a Note Acceleration Notice being given and not withdrawn) or the Issuer Security Trustee may terminate the Issuer Cash Manager's appointment upon not fewer than 90 days' written notice or immediately upon the occurrence of a termination event as prescribed under the Cash Management Agreement, including, among other things:

- (a) provided there are sufficient funds available, a failure by the Issuer Cash Manager to make when due a payment required to be made by the Issuer Cash Manager in accordance with the Cash Management Agreement;
- (b) a failure by the Issuer Cash Manager to maintain all appropriate licences, consents, approvals and authorisations required to perform its obligations under the Cash Management Agreement;
- (c) a material default by the Issuer Cash Manager in the performance of any of its other duties under the Cash Management Agreement which continues unremedied for ten Business Days; or
- (d) a petition is presented or an effective resolution passed or any order is made by a competent court for the winding up (including, without limitation, the filing of documents with the court or the

service of a notice of intention to appoint an administrator) or dissolution (other than in connection with a reorganisation, the terms of which have previously been approved in writing by the Issuer Security Trustee or by Extraordinary Resolutions of each Class of Noteholders and where the Issuer Cash Manager is solvent) of the Issuer Cash Manager or the appointment of an administrator or similar official in respect of the Issuer Cash Manager.

On the termination of the appointment of the Issuer Cash Manager by the Issuer Security Trustee, the Issuer may, subject to certain conditions, appoint a replacement cash manager, as applicable.

The Issuer Cash Manager may resign as Issuer Cash Manager, upon not fewer than 90 days' written notice of resignation to each of the Issuer, the Servicing Entities, the Issuer Account Bank and the Issuer Security Trustee, **provided that** a suitably qualified replacement Issuer Cash Manager, has been appointed and if no replacement has been appointed after two months, it may appoint the replacement itself.

If the appointment of the Issuer Cash Manager is terminated or the Issuer Cash Manager resigns, the Issuer Cash Manager must deliver its books of account relating to the DACs to or at the direction of the Issuer Security Trustee.

The Noteholders (acting as a single class) may by an Ordinary Resolution require the removal and replacement of the Issuer Cash Manager **provided that** a suitably qualified replacement Issuer Cash Manager has been appointed.

CASHFLOW AND PRIORITIES OF PAYMENT

Transfer of funds to the Issuer Transaction Account

On each Loan Payment Date, the Facility Agent will transfer from the relevant Control Account to the Issuer Transaction Account an amount equal to the aggregate amounts in respect of interest, principal, fees and other amounts, if any, then payable to the Issuer under the Facility Agreement.

Determination Date Calculations

On the date which is five Business Days prior to each Note Payment Date (each, a "**Determination Date**"), the Issuer Cash Manager will be required, *inter alia*, to calculate the following:

- (a) the amount of Revenue Receipts and Principal Receipts received during the Note Interest Period to which such Determination Date relates, based (save for in the case of paragraphs (c), (d), (f) and (g) of Revenue Receipts) on information provided to it by the Servicer or the Special Servicer (as applicable); and
- (b) all amounts due according to the Priorities of Payment.

Issuer's Receipts

Revenue Receipts

The Issuer's revenue receipts (the "**Revenue Receipts**") will comprise, on any day, the sum of all amounts received or recovered by or on behalf of the Issuer under or in connection with the Facility Agreement (other than Principal Receipts), and including without limitation:

- (a) Interest payments received under the Loans;
- (b) Exit Fees received under the Loans, Initial Loan Extension Amounts and Further Loan Extension Amounts;
- (c) amounts to be received from the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement on the relevant Note Payment Date (excluding Swap Collateral Excluded Amounts), any swap termination payments (other than such swap termination payments applied or to be applied by the Issuer in the purchase of one or more replacement hedging transactions) recovered by the Issuer under the Interest Rate Swap Agreement and any Replacement Swap Premium (other than such Replacement Swap Premium applied or to be applied by the Issuer in making any swap termination payment due from it to the Interest Rate Swap Counterparty);
- (d) any Swap Collateral Available Amounts (except to the extent required to be applied by the Issuer towards the purchase of one or more replacement hedging transactions);
- (e) breakage gains received from the Interest Rate Swap Counterparty upon reduction of the swap in connection with the prepayment of the Loans in part or in full by any of the Borrowers ("**Breakage Gain Amounts**"). Prior to a Loan Event of Default occurring, such Breakage Gain Amounts shall upon receipt by the Issuer be paid directly back to the Borrowers by the Issuer;
- (f) amounts drawn under the Liquidity Facility in accordance with the Liquidity Facility Agreement (except, for the avoidance of doubt, for any Stand-by Drawings, except to the extent that amounts may be withdrawn from the Stand-by account in accordance with the Liquidity Facility Agreement and save that no amounts drawn under the Liquidity Facility Agreement will be used to pay amounts due on the DACs); and
- (g) interest on amounts standing to the credit of the Issuer Bank Accounts.

Principal Receipts

The "**Principal Receipts**" will comprise on any day all payments and repayments of principal received or recovered by or on behalf of the Issuer in connection with the Facility Agreement and standing to the credit of the Issuer Transaction Account, including, without limitation all amounts received or recovered by or on behalf of the Issuer in respect of:

- (a) all Amortisation Funds;
- (b) amounts recovered in respect of the Loans which are applied towards the reduction of outstanding principal as a result of any action taken to enforce the Loans and/or the Transaction Security;
- (c) Allocated Loan Amount and other mandatory prepayment amounts of a principal nature as a result of: illegality, mandatory prepayment from insurance proceeds or recovery claims, disposals, change of control, a cash trap event or a cure payment or, in certain cases, repair and maintenance reserves, subject to the conditions set out in the Facility Agreement;
- (d) insurance proceeds received in respect of any insurance policy relating to the Properties or the proceeds of any compulsory purchase that are allocated towards repayment of principal in accordance with the terms of the Facility Agreement;
- (e) mandatory and voluntary repayments or prepayments in respect of the principal outstanding under the Loans made in accordance with the Facility Agreement;
- (f) Disposal Proceeds;
- (g) any amount applied by the Borrowers in prepayment of the Loans to cure a Loan Event of Default pursuant to the Facility Agreement; and
- (h) any amount in respect of the prepayment of the principal outstanding under any Loans as a consequence of the occurrence of illegality or any requirement to pay any additional amount as a consequence of any withholding for or on account of tax.

"**Amortisation Funds**" means:

- (a) scheduled amortisation payments received by or on behalf of the Issuer in respect of the Loans; and
- (b) principal repayments received by or on behalf of the Issuer in respect of the Loans as a result of the repayment of such Loans on their scheduled final maturity date.

Exit Payment Amounts

The Exit Payment Amount will be determined by the Issuer Cash Manager and payable only in respect of those Classes of Notes which have been subject to a mandatory redemption in part by reason of a prepayment of a Loan (a "**Loan Prepayment** "). An "**Exit Fee**" is payable by the Borrowers in accordance with the prepayment provisions in the Facility Agreement (see "*The Facility Agreement*").

The Exit Payment Amount will be allocated to each Class of Notes which is subject to an early mandatory redemption as a result of the related Loan Prepayment *pro rata* pursuant to Condition 6(b) (*Redemption and Cancellation – Mandatory Redemption from Principal Receipts*) as a result of the Loan Prepayment to which such prepayment relates.

Any surplus amount of Exit Fee paid under the Loan which is not allocated as an Exit Payment Amount on the Notes will be paid, *pro rata*, to the holders of the DACs (the "**DAC Exit Payment Amount**").

"**Exit Payment Amount**" means, in the case of prepayment of any Class of Notes:

- (a) if the prepayment is made before the third anniversary of the First Utilisation Date of the Loans, the net present value (as determined by utilising a discount rate equivalent to the euro swap rate for the remaining period until the Final Maturity Date) of the difference between:

- (i) an amount equal to the Relevant Margin of such Class of Notes calculated on the amount of the prepayment of such Class of Notes at such time for a period of five years; and
 - (ii) the aggregate amount of such Relevant Margin as applicable to the relevant Class of Notes, paid on the amount of the prepayment on or before such prepayment of such Class of Notes at such time; or
- (b) if the prepayment is made on or after the third anniversary of the Utilisation Date of the Loans, the sum of:
- (i) 1.50 per cent. per annum calculated on the amount of the prepayment of such Class of Notes at such time for the period remaining (if any) from the date of the prepayment up to (and including) the fourth anniversary of the First Utilisation Date of the Loans; and
 - (ii) 0.50 per cent. per annum calculated on the amount of the prepayment of such Class of Notes at such time for the period remaining (if any) from (but excluding) the fourth anniversary of the First Utilisation Date of the Loans up to (and including) the date six months prior to the fifth anniversary of the First Utilisation Date of the Loans,

provided that there shall be no Exit Payment Amount payable in any circumstance where there is no Exit Fee payable pursuant to the terms of the Facility Agreement.

Application of Revenue Receipts Prior to Enforcement

Prior to the service of a Note Acceleration Notice or the occurrence of a Loan Repayment Failure Event, on each Note Payment Date, the Issuer Cash Manager will apply Revenue Receipts (other than, for the avoidance of doubt, (i) Swap Collateral Excluded Amounts due to the Interest Rate Swap Counterparty by the Issuer under the Interest Rate Swap Agreement which shall be paid directly to the Interest Rate Swap Counterparty, (ii) any Swap Collateral Available Amounts to be applied by the Issuer towards the purchase of one or more replacement hedge transactions) and (iii) any breakage gain payable by the Issuer to the Interest Rate Swap Counterparty upon a reduction of the Interest Rate Swap Transaction, pursuant to Part 5(g) of the Schedule to the Interest Rate Swap Agreement (but only to the extent that such breakage gain has already been received in full by the Issuer from the Borrower pursuant to the hedge indemnity under the Facility Agreement), which shall be returned directly to the Interest Rate Swap Counterparty), each as determined on the immediately preceding Determination Date in the manner and in order of priority set out below under Pre-Enforcement Revenue Priority of Payments (the "**Pre-Enforcement Revenue Priority of Payments**") (in each case, only if and to the extent that payments or provisions of a higher priority have been made in full).

"**Loan Repayment Failure Event**" shall occur if on the Final Redemption Date of a Loan such Loan has not been repaid in full by the relevant Borrower. For the avoidance of doubt, the Final Redemption Date can be extended in certain circumstances where the Borrowers exercise their extension options under the Loans.

"**Swap Collateral Excluded Amounts**" means at any time in respect of the Interest Rate Swap Agreement, the amount of swap collateral standing to the credit of the Swap Collateral Cash Account and the Swap Collateral Custody Account, which is required at such time, in accordance with the terms of the Interest Rate Swap Agreement, to satisfy the Issuer's obligations to the Interest Rate Swap Counterparty, including swap collateral which is required to be returned to the Interest Rate Swap Counterparty as a Return Amount (as defined in the Credit Support Annex) from time to time in accordance with the terms of the Interest Rate Swap Agreement and, ultimately upon termination of the Interest Rate Swap Agreement, to make a payment of any termination payment owed to the Interest Rate Swap Counterparty.

"**Swap Collateral Available Amounts**" means at any time in respect of the Interest Rate Swap Agreement, the amount of swap collateral standing to the credit of the Swap Collateral Cash Account and the Swap Collateral Custody Account following the return of any Swap Collateral Excluded Amounts to the Interest Rate Swap Counterparty after the termination of the Interest Rate Swap Agreement.

Pre-Enforcement Revenue Priority of Payments

- (a) *first* in or towards satisfaction on a *pro rata* and *pari passu* basis, according to the

respective amounts thereof, of the fees or other remuneration of (and amounts payable in respect of indemnity protection) any costs, charges, liabilities and expenses incurred by the Note Trustee and the Issuer Security Trustee, and, in each case, the appointees thereof pursuant to the Issuer Transaction Documents;

- (b) *second* in or towards satisfaction on a *pro rata* and *pari passu* basis, according to the respective amounts thereof, of the amounts (including, but not limited to, tax adviser fees, costs of tax compliance, legal fees, all auditors' fees, anticipated winding-up costs of the Issuer, fees due to the stock exchange where the Notes are then listed, fees due to Rating Agencies and company secretarial expenses), which are payable by the Issuer to third parties under obligations incurred in the ordinary course of the Issuer's business and incurred without breach by the Issuer of the Note Trust Deed, the Issuer Deed of Charge or the Cash Management Agreement and not provided for payment elsewhere in the Pre-Enforcement Revenue Priority of Payments, and to provide for any such amounts expected to become due and payable by the Issuer after that Note Payment Date but prior to the next Note Payment Date, and to provide for the Issuer's liability or possible liability for corporation tax;
- (c) *third* in or towards satisfaction on a *pro rata* and *pari passu* basis, according to the respective amounts thereof, of (i) all amounts due to the Issuer Corporate Services Provider under the Issuer Corporate Services Agreement, (ii) all amounts due to the Servicer or the Special Servicer, as applicable under the Servicing Agreement, (iii) all amounts due to the Issuer Account Bank under the Issuer Account Bank Agreement, (iv) all amounts due to the Issuer Cash Manager under the Cash Management Agreement; (v) all amounts due to the Agents under the Agency Agreement and (vi) all amounts due to the Facility Agent;
- (d) *fourth* in or towards all amounts due or accrued but unpaid to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than Liquidity Subordinated Amounts);
- (e) *fifth* in or towards all amounts due or overdue to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement (other than Swap Subordinated Amounts);
- (f) *sixth* to pay the "**Issuer Profit Amount**", being £7,000 on the Note Payment Date falling in August 2013 and November 2013 and then £300 on the Note Payment Dates from February 2014, to the Issuer to be retained as profit by the Issuer;
- (g) *seventh* *pro rata* and *pari passu*, in or towards satisfaction of Regular Interest and Deferred Interest due or overdue (and any Exit Payment Amounts) on the Class A Notes and (without utilising amounts drawn under the Liquidity Facility Agreement) payments of DACs Payment Amounts and any DACs LPI Amounts (and any DAC Exit Payment Amount);
- (h) *eighth* in or towards satisfaction of Regular Interest and Deferred Interest due or overdue (and any Exit Payment Amounts) on the Class B Notes;
- (i) *ninth* in or towards satisfaction of Regular Interest and Deferred Interest due or overdue (and any Exit Payment Amounts) on the Class C Notes;
- (j) *tenth* in or towards satisfaction of Regular Interest and Deferred Interest due or overdue (and any Exit Payment Amounts) on the Class D Notes;
- (k) *eleventh* in or towards satisfaction of Regular Interest and Deferred Interest due or overdue (and any Exit Payment Amounts) on the Class E Notes;
- (l) *twelfth* in or towards satisfaction of any Note Extension Amounts due in relation to, the

- Class A Notes;
- (m) *thirteenth* in or towards satisfaction of any Note Extension Amounts due in relation to, the Class B Notes;
 - (n) *fourteenth* in or towards satisfaction of any Note Extension Amounts due in relation to, the Class C Notes;
 - (o) *fifteenth* in or towards satisfaction of any Note Extension Amounts due in relation to, the Class D Notes;
 - (p) *sixteenth* in or towards satisfaction of any Note Extension Amounts due in relation to, the Class E Notes;
 - (q) *seventeenth* in or towards satisfaction of any Liquidity Subordinated Amounts;
 - (r) *eighteenth* in or towards satisfaction of either:
 - (a) any Swap Subordinated Amounts; or
 - (b) following the occurrence of a Loan Event of Default, any Breakage Gain Amounts payable to the Obligors;
 - (s) *nineteenth* to pay any Senior Securitisation Take-Out Fee to the Arranger; and
 - (t) *twentieth* to pay the Junior Securitisation Take-Out Fee to the Arranger.

Application of Principal Receipts Prior to Enforcement

Prior to the service of a Note Acceleration Notice or the occurrence of a Loan Repayment Failure Event, on each Note Payment Date, the Issuer Cash Manager will apply Principal Receipts each as determined on the immediately preceding Determination Date in the manner and in order of priority set out below under Pre-Enforcement Principal Priority of Payments (the "**Pre-Enforcement Principal Priority of Payments**", and together with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Loan Repayment Failure Priority of Payments, the "**Pre-Enforcement Priorities of Payment**") (in each case, only if and to the extent that payments or provisions of a higher priority have been made in full).

Prior to the occurrence of a Sequential Payment Trigger, Principal Receipts will be applied to redeem the Notes *pro rata* and *pari passu*. Upon the occurrence of a Sequential Payment Trigger, Principal Receipts will be applied to redeem the Notes sequentially, with the Most Senior Class of Notes having principal repaid first. For the avoidance of doubt, following the occurrence of a Sequential Payment Trigger, Principal Receipts cannot subsequently be applied to redeem the Notes *pro rata* and *pari passu*.

A "**Sequential Payment Trigger**" means:

- (a) a Loan Event of Default has occurred, which has not been remedied or cured in accordance with the Facility Agreement; or
- (b) the occurrence of a Note Payment Date after the Expected Maturity Date.

Pre-Enforcement Principal Priority of Payments

- (a) *first* to pay the Special Servicer any liquidation or work-out fees in accordance with the Servicing Agreement;
- (b) *second* prior to the occurrence of a Sequential Payment Trigger, *pro rata* and *pari passu* in the repayment of principal on the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes;

- (c) *third* following the occurrence of a Sequential Payment Trigger:
- first*, to repay all principal due or overdue of the Class A Notes until the Class A Notes have been fully redeemed;
- second*, to repay all principal due or overdue of the Class B Notes until the Class B Notes have been fully redeemed;
- third*, to repay all principal due or overdue of the Class C Notes until the Class C Notes have been fully redeemed;
- fourth*, to repay all principal due or overdue of the Class D Notes until the Class D Notes have been fully redeemed; and
- fifth*, to repay all principal due or overdue of the Class E Notes until the Class E Notes have been fully redeemed; and
- (d) *fourth* to pay any surplus in accordance with the Pre-Enforcement Revenue Priority of Payments.

Application of Revenue Receipts and Principal Receipts upon the occurrence of a Loan Repayments Failure Event

Prior to the service of a Note Acceleration Notice and upon the occurrence of a Loan Repayment Failure Event, on each Note Payment Date, the Issuer Cash Manager will apply Revenue Receipts (other than, for the avoidance of doubt, Swap Collateral Excluded Amounts due to the Interest Rate Swap Counterparty by the Issuer under the Interest Rate Swap Agreement which shall be paid directly to the Interest Rate Swap Counterparty and any Swap Collateral Available Amounts to be applied by the Issuer towards the purchase of one or more replacement hedge transactions) and Principal Receipts each as determined on the immediately preceding Determination Date in the manner and in order of priority set out below under Pre-Enforcement Loan Repayment Failure Priority of Payments (the "**Pre-Enforcement Loan Repayment Failure Priority of Payments**") (in each case, only if and to the extent that payments or provisions of a higher priority have been made in full).

Pre-Enforcement Loan Repayment Failure Priority of Payments

- (a) *first* in or towards satisfaction on a *pro rata* and *pari passu* basis, according to the respective amounts thereof, of the costs, expenses, fees or other remuneration and indemnity payments (if any) payable to the Note Trustee or any of its appointees and the Issuer Security Trustee or any of its appointees (including any Receiver appointed by the Issuer Security Trustee) and any costs, charges, liabilities and expenses incurred by either the Note Trustee or the Issuer Security Trustee and, in each case, the appointees thereof (including any Receiver) pursuant to the Issuer Transaction Documents;
- (b) *second* in or towards satisfaction on a *pro rata* and *pari passu* basis, according to the respective amounts thereof, of (i) all amounts due to the Issuer Corporate Services Provider under the Issuer Corporate Services Agreement, (ii) all amounts due to the Servicer or the Special Servicer, as applicable, under the Servicing Agreement, (iii) all amounts due to the Issuer Account Bank under the Issuer Account Bank Agreement, (iv) all amounts due to the Issuer Cash Manager under the Cash Management Agreement, (v) all amounts due to the Agents under the Agency Agreement and (vi) all amounts due to the Facility Agent;
- (c) *third* in or towards all amounts due on account of any financing obtained by the Servicer or Special Servicer on behalf of the Issuer as authorised pursuant to the Servicing Agreement;

- (d) *fourth* in or towards satisfaction of all amounts due or accrued due but unpaid to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than Liquidity Subordinated Amounts);
- (e) *fifth* in or towards satisfaction of all amounts due or overdue to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement (other than the Swap Subordinated Amounts);
- (f) *sixth* in or towards satisfaction of the Issuer Profit Amount;
- (g) *seventh* *pro rata* and *pari passu*, in or towards satisfaction of all Regular Interest and Deferred Interest due or overdue (and any Exit Payment Amounts) in respect of the Class A Notes and (without utilising amounts drawn under the Liquidity Facility Agreement) payments of DACs Payment Amounts and any DACs LPI Amounts (and any DAC Exit Payment Amount);
- (h) *eighth* in or towards satisfaction of all Regular Interest and Deferred Interest due or overdue (and any Exit Payment Amounts) in respect of the Class B Notes;
- (i) *ninth* in or towards satisfaction of all principal due or overdue in respect of the Class A Notes);
- (j) *tenth* in or towards satisfaction of all principal due or overdue in respect of the Class B Notes);
- (k) *eleventh* in or towards satisfaction of all Regular Interest and Deferred Interest and principal due or overdue (and any Exit Payment Amounts) in respect of the Class C Notes;
- (l) *twelfth* in or towards satisfaction of all Regular Interest, Deferred Interest and principal due or overdue (and any Exit Payment Amounts) in respect of the Class D Notes;
- (m) *thirteenth* in or towards satisfaction of all Regular Interest, Deferred Interest and principal due or overdue (and any Exit Payment Amounts) in respect of the Class E Notes;
- (n) *fourteenth* in or towards satisfaction of any Note Extension Amounts due or overdue on the Class A Notes;
- (o) *fifteenth* in or towards satisfaction of any Note Extension Amounts due or overdue on the Class B Notes;
- (p) *sixteenth* in or towards satisfaction of any Note Extension Amounts due or overdue on the Class C Notes;
- (q) *seventeenth* in or towards satisfaction of any Note Extension Amounts due or overdue on the Class D Notes;
- (r) *eighteenth* in or towards satisfaction of any Note Extension Amounts due or overdue on the Class E Notes;
- (s) *nineteenth* in or towards satisfaction of any Liquidity Subordinated Amounts;
- (t) *twentieth* in or towards satisfaction of either:
- (a) any Swap Subordinated Amounts; or
- (b) following the occurrence of a Loan Event of Default, any Breakage Gain Amounts payable to the Obligors;

- (u) *twenty first* in or towards payment of any Senior Securitisation Take-Out Fee to the Arranger; and
- (v) *twenty second* in or towards payment of the Junior Securitisation Take-Out Fee to the Arranger

Application of Revenue Receipts and Principal Receipts Post-Enforcement

Following the service of a Note Acceleration Notice, the Issuer Security Trustee will apply all moneys and receipts received by the Issuer and/or the Issuer Security Trustee or a receiver (whether of principal or interest or otherwise) appointed by it other than:

- (i) amounts constituting tax credits;
- (ii) amounts standing to the credit of the Stand-by Account and the proceeds of any Permitted Investments, which shall be returned directly to the Liquidity Facility Provider;
- (iii) Swap Collateral Excluded Amounts, which shall be returned directly to the Interest Rate Swap Counterparty;
- (iv) any Swap Tax Credits, which shall be returned directly to the Interest Rate Swap Counterparty;
- (v) Replacement Swap Premium (only to the extent it is applied directly to pay a termination payment due and payable by the Issuer to the Interest Rate Swap Counterparty) which shall be paid directly to the Interest Rate Swap Counterparty; and
- (vi) any breakage gain payable by the Issuer to the Interest Rate Swap Counterparty upon a reduction of the Interest Rate Swap Transaction, pursuant to Part 5(g) of the Schedule to the Interest Rate Swap Agreement (but only to the extent that such breakage gain has already been received in full by the Issuer from the Borrower pursuant to the hedge indemnity under the Facility Agreement), which shall be returned directly to the Interest Rate Swap Counterparty,

in the manner and order of priority set out below under Post-Enforcement Priority of Payments (the "**Post-Enforcement Priority of Payments**", and together with the Pre-Enforcement Priorities of Payment, the "**Priorities of Payment**") (in each case only if and to the extent that payments provisions of a higher priority have been made in full):

Post-Enforcement Priority of Payments

- (a) *first* in or towards satisfaction on a *pro rata* and *pari passu* basis, according to the respective amounts thereof, of the costs, expenses, fees or other remuneration and indemnity payments (if any) payable to the Note Trustee or any of its appointees and the Issuer Security Trustee or any of its appointees (including any Receiver appointed by the Issuer Security Trustee) and any costs, charges, liabilities and expenses incurred by either the Note Trustee or the Issuer Security Trustee and, in each case, the appointees thereof (including any Receiver) pursuant to the Issuer Transaction Documents;
- (b) *second* in or towards satisfaction on a *pro rata* and *pari passu* basis, according to the respective amounts thereof, of (i) all amounts due to the Issuer Corporate Services Provider under the Issuer Corporate Services Agreement, (ii) all amounts due to the Servicer or the Special Servicer, as applicable, under the Servicing Agreement, (iii) all amounts due to the Issuer Account Bank under the Issuer Account Bank Agreement, (iv) all amounts due to the Issuer Cash Manager under the Cash Management Agreement, (v) all amounts due to the Agents under the Agency Agreement and (vi) all amounts due to the Facility Agent;
- (c) *third* in or towards all amounts due on account of any financing obtained by the Servicer or Special Servicer on behalf of the Issuer as authorised pursuant to the Servicing

Agreement;

- (d) *fourth* in or towards satisfaction of all amounts due or accrued due but unpaid to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than Liquidity Subordinated Amounts);
- (e) *fifth* in or towards satisfaction of all amounts due or overdue to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement (other than the Swap Subordinated Amounts);
- (f) *sixth* in or towards satisfaction of all Regular Interest, Deferred Interest and principal due or overdue (and any Exit Payment Amounts) in respect of the Class A Notes and payments of DACs Payment Amounts and any DACs LPI Amounts (and any DAC Exit Payment Amount);
- (g) *seventh* in or towards satisfaction of all Regular Interest, Deferred Interest and principal due or overdue (and any Exit Payment Amounts) in respect of the Class B Notes;
- (h) *eighth* in or towards satisfaction of all Regular Interest, Deferred Interest and principal due or overdue (and any Exit Payment Amounts) in respect of the Class C Notes;
- (i) *ninth* in or towards satisfaction of all Regular Interest, Deferred Interest and principal due or overdue (and any Exit Payment Amounts) in respect of the Class D Notes;
- (j) *tenth* in or towards satisfaction of all Regular Interest, Deferred Interest and principal due or overdue (and any Exit Payment Amounts) in respect of the Class E Notes;
- (k) *eleventh* in or towards satisfaction of any Note Extension Amounts due or overdue on the Class A Notes;
- (l) *twelfth* in or towards satisfaction of any Note Extension Amounts due or overdue on the Class B Notes;
- (m) *thirteenth* in or towards satisfaction of any Note Extension Amounts due or overdue on the Class C Notes;
- (n) *fourteenth* in or towards satisfaction of any Note Extension Amounts due or overdue on the Class D Notes;
- (o) *fifteenth* in or towards satisfaction of any Note Extension Amounts due or overdue on the Class E Notes;
- (p) *sixteenth* in or towards satisfaction of any Liquidity Subordinated Amounts;
- (q) *seventeenth* in or towards satisfaction of all Swap Subordinated Amounts;
- (r) *eighteenth* in or towards satisfaction of the Issuer Profit Amount;
- (s) *nineteenth* in or towards payment of any Senior Securitisation Take-Out Fee to the Arranger; and
- (t) *twentieth* in or towards payment of the Junior Securitisation Take-Out Fee to the Arranger.

"Replacement Swap Premium" means any amount to be paid by the Issuer to a replacement Interest Rate Swap Counterparty, or received by the Issuer from a replacement Interest Rate Swap Counterparty upon entry by the Issuer into an agreement with such replacement Interest Rate Swap Counterparty to replace the Interest Rate Swap Transaction.

"Swap Tax Credits" means any credit, allowance, set-off or repayment received by the Issuer in respect of tax from the tax authorities of any jurisdiction relating to any deduction or withholding giving rise to an increased payment by the Interest Rate Swap Counterparty to the Issuer or a reduced payment from the Issuer to the Interest Rate Swap Counterparty.

Application of amounts in respect of Swap Tax Credits

Amounts received by the Issuer in respect of Swap Tax Credits shall be applied by the Cash Manager on the Issuer's behalf in accordance with the terms of the Interest Rate Swap Agreement, without regard to the Priorities of Payment and in accordance with the Issuer Deed of Charge.

Application of breakage gains payable to the Interest Rate Swap Counterparty

Any breakage gains payable by the Issuer to the Interest Rate Swap Counterparty upon a reduction of the Interest Rate Swap Transaction, pursuant to Part 5 (g) of the Schedule to the Interest Rate Swap Agreement shall, to the extent that such breakage gain has already been received in full by the Issuer from the Borrower pursuant to the hedge indemnity under the Facility Agreement, be returned directly to the Interest Rate Swap Counterparty, without regard to the Priorities of Payment and in accordance with the Issuer Deed of Charge.

THE LIQUIDITY FACILITY AGREEMENT

On or prior to the Closing Date, the Issuer will enter into the Liquidity Facility Agreement. The Liquidity Facility will be renewed, as required, by the Issuer or the Issuer Cash Manager on its behalf.

As of the Closing Date, the Liquidity Commitment is €35,000,000 (the "**Original Liquidity Commitment**") and the maximum aggregate principal amount available for drawdown under the Liquidity Facility will decrease as described below.

If on any Determination Date the aggregate Principal Amount Outstanding of the Notes is (or, on the immediately succeeding Note Payment Date, is scheduled to be) less than the original aggregate Principal Amount Outstanding of the Notes on the Closing Date as a result of the application of Principal Receipts (the "**Relevant Principal Receipts**") in redemption of the Notes as described under "*Cashflow and Priorities of Payments - Application of Principal Receipts Prior to Enforcement*" then the Liquidity Commitment "**Liquidity Commitment**" will be re-calculated as follows:

$$\text{Liquidity Facility Amount} = \text{€35,000,000} - \left(\frac{\text{€35,000,000}}{\text{€Principal Amount Outstanding of the Notes on the Closing Date}} \right) \times \text{Relevant Principal Receipts}$$

provided that, the Liquidity Commitment may at no time be less than the then outstanding Liquidity Drawings are under the Liquidity Facility.

If, after the occurrence of a Loan Event of Default or after the date any Loan becomes a Specially Serviced Loan, the then most recent valuation in respect of the Portfolio (which may or may not be the most recent Lender Appraisal) is less than the aggregate of the principal amount outstanding of the Loans, all unpaid interest on the Loans, all currently due and unpaid taxes and assessments (net of any amount escrowed for such items), insurance premiums and, if applicable, ground rents in respect of the Properties and all Liquidity Drawings and interest accrued thereon in each case at such time (together, the "**Relevant Amount**"), the Liquidity Commitment will be recalculated as follows:

$$\text{Liquidity Facility Amount} \times \frac{\text{sum of the values set forth in the most recent valuation of the Properties}}{\text{the Relevant Amount}}$$

such that the Liquidity Commitment will decrease in proportion to any reduction in the value of the Portfolio, **provided that**, the Liquidity Commitment may at no time be less than the then outstanding Liquidity Drawings are under the Liquidity Facility.

In certain other circumstances the Liquidity Commitment may also be reduced by the Issuer, subject to the Issuer receiving a confirmation in writing from the Rating Agencies (such confirmation following a request by the Issuer) that such reduction in the Liquidity Commitment will not result in a downgrading of any of the Notes to below their then current rating levels.

The Liquidity Facility may be used to remedy an Expenses and Interest Shortfall or a Property Protection Shortfall. However, the Liquidity Facility may not be used to pay the DACs.

An "**Expenses and Interest Shortfall**" will arise, if on any Determination Date, the amount determined by the Issuer Cash Manager by which Revenue Receipts (excluding any amount payable in respect of (i) Principal Receipts and (ii) Exit Fees) is less than the payments due on the Note Payment Date following such Determination Date in respect of items (a) to (k) (inclusive (excluding any amounts payable in respect of the DACs) of the Pre-Enforcement Revenue Priority of Payments and (a) to (h) (inclusive (excluding any amounts payable in respect of the DACs)) of the Pre-Enforcement Loan Repayment Failure Priority of Payments on the Note Payment Date following such Determination Date.

A "**Property Protection Shortfall**" will arise if, on any day, the Borrowers fail to pay Property Protection Amounts and there are insufficient funds available in the Borrowers' accounts to pay such amounts. A Property Protection Shortfall may be an amount identified as such by either the Servicer or Special Servicer, as applicable, in a manner consistent with the relevant provisions of the Servicing Agreement. The Servicer or the Special Servicer, as the case may be, may make or direct the Issuer Cash Manager to make on behalf of the Issuer, the relevant payment if certain additional requirements have been met (such payment being, a "**Property Protection Advance**"). (See "*Servicing Arrangements for the Loans*" for further details and the definition of Property Protection Advance).

"Property Protection Amounts " shall mean certain amounts payable to third parties, such as insurers, and persons providing services in connection with the operation of the Properties which the Servicer or the Special Servicer, as the case may be, having regard to the Servicing Standard, determines payment of which is or are necessary in order to comply with the terms of the Servicing Standard.

A Property Protection Shortfall and an Expenses and Interest Shortfall are each referred to in this Prospectus as, a **"Shortfall"**.

On the occurrence of a Property Protection Shortfall, the Servicer will notify the Issuer Cash Manager of the existence of any such Property Protection Shortfall that has arisen. The Issuer Cash Manager will determine whether an Expenses and Interest Shortfall has occurred and calculate such Expenses and Interest Shortfall. The Issuer Cash Manager will, on behalf of the Issuer, make a drawing pursuant to the Liquidity Facility Agreement in an amount equal to the relevant Expenses and Interest Shortfall (an **"Expenses and Interest Drawing"**) and/or Property Protection Shortfall (a **"Property Protection Drawing"**). An Expenses and Interest Drawing and a Property Protection Drawing are each referred to as, a **"Liquidity Drawing"**. An Expenses and Interest Drawing will not be made to repay any amount of principal on any Class of Notes.

A Liquidity Drawing will not be permitted if a Liquidity Facility Event of Default is continuing. A **"Liquidity Facility Event of Default"**) will include non-payment by the Issuer of amounts payable by it to the Liquidity Facility Provider, certain insolvency related events and illegality. In addition, a Liquidity Drawing will not be made if the value of the Portfolio based on the most recent Lender Appraisal is less than the aggregate of: (i) all unpaid costs and expenses due to the Finance Parties under the Facility Agreement (including any due to any receiver or delegate); (ii) any amounts due or accrued but unpaid to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than Liquidity Subordinated Amounts) and all amount ranking in priority thereto in the relevant Priorities of Payment and (iii) an amount equal to 100 per cent. of the undrawn Liquidity Commitments immediately prior to such Liquidity Drawing.

The Issuer will use the proceeds of any Expenses and Interest Drawing in making payments of certain expenses and interest to the Noteholders, in accordance with the Pre-Enforcement Revenue Priority of Payments and the Pre-Enforcement Loan Repayment Failure Priority of Payments.

All payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect of any Liquidity Subordinated Amounts) will rank ahead of payments of interest and repayments of principal on the Notes.

"Liquidity Subordinated Amounts" are amounts in respect of increased costs, mandatory costs and tax gross up amounts payable to the Liquidity Facility Provider to the extent that such amounts exceed 1 per cent. per annum of the commitment provided under the Liquidity Facility Agreement (whether drawn or undrawn). For further information about the ranking of such payments, see the section entitled *"Cashflow and Priorities of Payment"*.

The Liquidity Facility Agreement will provide that, at all times, the Liquidity Facility Provider will have:

- (a) a long-term rating of the Liquidity Facility Provider's unguaranteed, unsecured and unsubordinated debt obligations of at least "A" by Fitch and, to the extent the Liquidity Facility Provider becomes rated by DBRS, "A" by DBRS and a short-term rating of at least "F1" by Fitch; or
- (b) such lower debt rating as is commensurate with the rating assigned to the Notes from time to time as specifically provided in the Liquidity Facility Agreement and as set out in more detail in the table below (the **"LF Required Ratings"**):

Current Rating of the Most Senior Class of Notes	Fitch Minimum Liquidity Facility Provider Ratings	DBRS Minimum Liquidity Facility Provider Ratings
AAAsf/AAASF	"A" with a short-term rating of "F1"	"A"
AA+sf/ A (high)SF	"A-" with a short-term rating of "F2"	"BBB (high)"
A+sf/ASF	"BBB+" with a short-term rating	"BBB"

<u>Current Rating of the Most Senior Class of Notes</u>	<u>Fitch Minimum Liquidity Facility Provider Ratings</u>	<u>DBRS Minimum Liquidity Facility Provider Ratings</u>
BBB+sf/ BBB (high)SF	of "F2" "BBB-" with a short-term rating of "F3"	"BBB (low)"
BB+sf/BBBSF	At least as high as the Most Senior Class of Notes' rating	"BBB (low)"
B+sf and below/BBB (low)	At least as high as the Most Senior Class of Notes' rating	"BBB (low)"

If:

- (a) the Liquidity Facility Provider ceases to have the LF Required Ratings; or
- (b) there has been a refusal or deemed refusal by the Liquidity Facility Provider to agree to an **"Extension Request"** (as defined in the Liquidity Facility Agreement) or where the Liquidity Facility Provider has failed to respond to an Extension Request within the applicable time periods, (each, a **"Stand-by Event"**),

then the Issuer (or the Issuer Cash Manager on its behalf) will (subject to having been notified in writing of such rating downgrade) require the Liquidity Facility Provider to pay into the Stand-by Account which is maintained with the Issuer Account Bank, an amount (a **"Stand-by Drawing"**) equal to its undrawn Liquidity Commitment under the Liquidity Facility Agreement not later than 14 days following receipt of notification relating to the Stand-by Event. Amounts credited to the Stand-by Account may be invested in Permitted Investments.

Alternatively, the Liquidity Facility Provider will be required to use commercially reasonable endeavours to procure a replacement Liquidity Facility Provider or a guarantor for the Liquidity Facility Provider's obligations with the LF Required Ratings.

If the Liquidity Facility Provider ceases to have the LF Required Ratings and a transfer to another Liquidity Facility Provider would otherwise have to be made but there is no other liquidity facility provider with the LF Required Ratings or if no other liquidity facility provider agrees to such transfer, the Issuer with the assistance of the Liquidity Facility Provider will consult with the Rating Agencies to consider alternative requirements for a replacement Liquidity Facility Provider prior to the selection of a replacement. The Issuer will keep the Note Trustee, the Servicer, the Special Servicer and the Issuer Cash Manager informed of any discussions that it has with the Rating Agencies and will consider any views they and the Rating Agencies may express during such consultation. Following such consultation, if a replacement entity is appointed, such appointment will be notified by the Issuer to the Rating Agencies promptly.

If the Issuer (or the Issuer Cash Manager on its behalf) makes a Stand-by Drawing, the Issuer Cash Manager (on behalf of the Issuer) will, prior to the expenditure of the proceeds of such drawing as described above, and in accordance with the relevant provisions of the Cash Management Agreement, invest such funds in Permitted Investments.

Amounts standing to the credit of the Stand-by Account will be available to the Issuer to be drawn in the same circumstances as the Liquidity Drawings, as described above, and otherwise in the circumstances provided in the Liquidity Facility Agreement and all repayments of Liquidity Drawings will, after a Stand-by Drawing has been made, be paid into the Stand-by Account. Following the service of a Note Acceleration Notice or the Notes otherwise becoming due and repayable in full and following certain events of default under the Liquidity Facility Agreement, principal amounts standing to the credit of the Stand-by Account in respect of a Stand-by Drawing will be returned to the Liquidity Facility Provider and will not be applied in accordance with the Priorities of Payment.

A commitment fee will accrue with respect to the Liquidity Facility at the rate of 1 per cent. per annum on the undrawn, uncanceled amount of the Liquidity Commitment. The accrued commitment fee is payable quarterly in arrear on each Note Payment Date.

Liquidity Drawings and Stand-by Drawings will bear interest. The rate of interest payable to the Liquidity Facility Provider in relation to Liquidity Drawings and Stand-by Drawings will be a rate equal to EURIBOR plus:

- (a) for the first two Liquidity Drawing Periods or Liquidity Standby Loan Interest Periods, as the case may be, (each a "**Period**") commencing from the date of such Liquidity Drawing (and only whilst such Liquidity Drawing is outstanding), 2.50 per cent. per annum;
- (b) for the third and fourth Periods following the date of such Liquidity Drawing (and only whilst such Liquidity Drawing is outstanding), 2.75 per cent. per annum;
- (c) for the fifth and sixth Periods following the date of such Liquidity Drawing (and only whilst such Liquidity Drawing is outstanding), 3.00 per cent. per annum;
- (d) for the seventh and eighth Periods following the date of such Liquidity Drawing (and only whilst such Liquidity Drawing is outstanding), 3.25 per cent. per annum; and
- (e) for the ninth and any subsequent Periods following the date of such Liquidity Drawing (and only whilst such Liquidity Drawing is outstanding), 3.50 per cent. per annum,

(the "**Liquidity Margin**") plus any applicable mandatory and increased costs (as described in the Liquidity Facility Agreement). For the avoidance of doubt, for the purposes of calculating the Liquidity Margin, a drawing will be treated as "**outstanding**" for the purposes of that calculation if it is repaid on the relevant Note Payment Date and redrawn on such Note Payment Date or deemed repaid and redrawn as described below.

Interest on each Liquidity Drawing and Stand-by Drawing shall accrue daily and shall be calculated on the outstanding daily balance of such Liquidity Drawing or Stand-by Drawing, as applicable, on the basis of actual days elapsed and a 360 day year.

If a Liquidity Drawing is not repaid on the relevant Note Payment Date, the relevant Liquidity Drawing will be deemed to be repaid (but only for the purposes of the Liquidity Facility) and redrawn on such Note Payment Date in an amount equal to all amounts outstanding **provided that** the aggregate of the amounts drawn together with other Liquidity Drawings will not exceed the Liquidity Commitment. This procedure will be repeated on each subsequent Note Payment Date, up to the amount of the Liquidity Commitment, until all amounts outstanding are paid and/or repaid or until the Final Maturity Date, or if earlier, the termination date of the Liquidity Facility, as the case may be. Liquidity Drawings and Stand-by Drawings may only be drawn in Euro.

The Liquidity Facility Provider

The Liquidity Facility Provider is HSBC Bank plc at its offices at 8 Canada Square, London E14 5HQ.

The information contained herein with respect to the Liquidity Facility Provider has been obtained from it. Delivery of this Prospectus will not create any implication that there has been no change in the affairs of the Liquidity Facility Provider since the date hereof or that the information contained or referred to herein is correct as of any time subsequent to this date. For further details, please see the section entitled "*HSBC Bank plc*".

THE SWAP ARRANGEMENTS

The Issuer will enter into an interest rate swap transaction with the Interest Rate Swap Counterparty (the "**Interest Rate Swap Transaction**") on the Closing Date to protect it against any Interest Rate Mismatch. The Interest Rate Swap Transaction will be documented by way of a Confirmation (the "**Swap Confirmation**") which shall be subject to the terms of a 2002 ISDA Master Agreement, (the "**Interest Rate Swap Agreement**").

The Interest Rate Swap Transaction

Pursuant to the terms of the Interest Rate Swap Transaction, on each Note Payment Date in respect of the Notes, the Issuer will exchange an amount determined by reference to the interest payment it is due to receive from the Borrowers under the Facility Agreement in respect of the relevant interest period in respect of the Fixed Rate Loan (each a "**Fixed Rate Payer Amount**") for an amount determined by reference to three month EURIBOR for the equivalent period (each a "**Floating Rate Amount**").

The payments under the Interest Rate Swap Transaction will be calculated by reference to the notional amount of the Interest Rate Swap Transaction (the "**Swap Notional Amount**") which is intended to track the expected aggregate principal amount outstanding of the Fixed Rate Loan. The Interest Rate Swap Agreement provides that the Swap Notional Amount will be adjusted if, at any time, it exceeds the principal amount outstanding in respect of the Fixed Rate Loan as a result of any unscheduled partial repayment, prepayment, disposal or transfer of the Fixed Rate Loan. In each case, an amount equal to the mark to market termination amount (if any) resulting from such adjustments would become payable between the parties on the date of such adjustment. See also "*Risk Factors: Risks Relating to the Interest Rate Swap Agreement*".

Termination of the Interest Rate Swap Agreement

The Interest Rate Swap Agreement may be terminated in, *inter alia*, the following circumstances (each, a "**Swap Early Termination Event**"):

- (a) at the option of one party to the swap, if there is a failure by the other party to pay any amounts due and payable in accordance with the terms of the Interest Rate Swap Agreement and any applicable grace period has expired;
- (b) service by the Trustee of a Note Acceleration Notice on the Issuer pursuant to Condition 10 (*Note Events of Default*);
- (c) irrevocable notice is given by the Issuer that a redemption of the Notes will occur pursuant to Condition 6(c) (*Redemption and Cancellation - Optional Redemption for Tax Reasons or Other Reasons*) or Condition 6(c) (*Redemption and Cancellation - Optional Redemption in full*);
- (d) upon a Bankruptcy Event of Default (as defined in the Interest Rate Swap Agreement) occurring with respect to the Interest Rate Swap Counterparty or certain insolvency events with respect to the Issuer (as set out in the Interest Rate Swap Agreement) or the merger of the Interest Rate Swap Counterparty with another entity without an assumption by the entity created by such merger of the obligations of the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement;
- (e) upon the occurrence of a Tax Event, Tax Event Upon Merger or an Illegality (as defined in the Interest Rate Swap Agreement);
- (f) if the Interest Rate Swap Counterparty is downgraded and fails to comply with the requirements of the ratings downgrade provisions contained in the Interest Rate Swap Agreement;
- (g) if any of the Priorities of Payments are amended or any other amendment to any Transaction Document with a similar economic effect is made, without the consent of the Interest Rate Swap Counterparty, such that either (i) the Issuer's obligations to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement are further contractually subordinated to the Issuer's obligations to any other Issuer Secured Creditor than they are as at the date of the Interest Rate Swap Agreement, or (ii) the Interest Rate Swap Counterparty would receive less under the Interest Rate Swap Agreement than would otherwise have been the case; and

- (h) the Additional Tax Representation (as defined in the Interest Rate Swap Agreement) proves to have been incorrect or misleading in any material respect to one or more Transactions (as defined in the Interest Rate Swap Agreement) when made or repeated or deemed to have been made or repeated.

Subject to the following paragraph, if the Interest Rate Swap Transaction is terminated in whole or in part, either the Interest Rate Swap Counterparty, on the one hand, or the Issuer, on the other hand, may be required to pay a Swap Termination Payment to the other. Any Swap Termination Payment payable by the Issuer to the Interest Rate Swap Counterparty (to the extent not discharged by the Swap Collateral Excluded Amounts or any Replacement Swap Premium) will be made in accordance with the applicable Priority of Payments and subject to the limited recourse of the Issuer.

If the Interest Rate Swap Agreement is terminated due to the occurrence of an Event of Default (as defined in the Interest Rate Swap Agreement) where the Interest Rate Swap Counterparty is the Defaulting Party (as defined in the Interest Rate Swap Agreement) (a "**Swap Counterparty Default**") or the occurrence of an Additional Termination Event (as defined in the Interest Rate Swap Agreement) as a result of the failure by the Interest Rate Swap Counterparty to comply with the requirements of the ratings downgrade provisions set out in the Interest Rate Swap Agreement (a "**Swap Counterparty Downgrade Event**") (as more particularly set out in the Interest Rate Swap Agreement but summarised below) any termination payment due from the Issuer to the Interest Rate Swap Counterparty will constitute a "**Swap Subordinated Amount**" and will (to the extent not discharged by the Swap Collateral Excluded Amounts or any Replacement Swap Premium) be paid, on a subordinated and limited recourse basis, in accordance with the applicable Priority of Payments.

Procurement of Replacement Interest Rate Swap Transactions by the Servicer

If the Interest Rate Swap Agreement is terminated due to the occurrence of a Swap Counterparty Default or a Swap Counterparty Downgrade Event, the Issuer will be required to enter into any swap arrangements that are necessary or desirable to mitigate any Interest Rate Mismatch (where the Issuer has directed the Servicer to recommend a proposal in relation to such hedging arrangements (which may be delegated by the Servicer to a financial adviser)). Unless it is required to do otherwise, the Issuer may apply any Swap Termination Payment received from the Interest Rate Swap Counterparty towards consideration for a replacement Interest Rate Swap Counterparty entering into such replacement swap arrangements.

Consequences of a Rating Downgrade of the Interest Rate Swap Counterparty

Fitch Requirements

If the Interest Rate Swap Counterparty and any support provider under the Credit Support Annex fails to maintain a rating at least as high as 'A' (or its equivalent) for its long term issuer default rating ("**IDR**") and 'F1 (or its equivalent) for its short term IDR by Fitch (the "**Swap Counterparty Fitch Required Rating**") (an "**Initial Fitch Downgrade Event**"), the Interest Rate Swap Agreement will require the Interest Rate Swap Counterparty, at its own cost and expense either:

- (a) within 14 days of the occurrence of such Initial Fitch Downgrade Event, post collateral in support of its obligations under the Interest Rate Swap Agreement in accordance with the Credit Support Annex; or
- (b) within 30 days of the occurrence of such Initial Fitch Downgrade Event:
 - (i) transfer its rights and obligations under the Interest Rate Swap Agreement to a replacement third party with at least the Swap Counterparty Fitch Required Rating, subject to certain conditions, including that such replacement contracts with the Issuer on identical terms as to payment or delivery and in all other material respects, are on terms no less beneficial for the Issuer than the terms of the Interest Rate Swap Transaction; or
 - (ii) procure another person to become co obligor or guarantor in respect of its obligations under the Interest Rate Swap Agreement with at least the Swap Counterparty Fitch Required Rating, **provided that**, in all cases, such action does not result in any requirement for deduction or withholding for or on account of any tax,

(such actions referred to in this paragraph (b), the "**Fitch Downgrade Remedial Actions**").

Additionally, if the long term IDR of the Interest Rate Swap Counterparty and any support provider under the Credit Support Annex fails to maintain a rating at least as high as "**BBB-**" (or its equivalent) for its long term IDR and "**F3**" (or its equivalent) for its short term IDR by Fitch (each a "**Subsequent Fitch Rating Event**") then the Interest Rate Swap Counterparty will:

- (a) at its own cost and expense, take one or more of the Fitch Downgrade Remedial Actions within 30 calendar days of the occurrence of such Subsequent Fitch Rating Event; and
- (b) pending taking any of the Fitch Downgrade Remedial Actions, the Interest Rate Swap Counterparty will, at its own cost and expense, within 14 days of the occurrence of the Subsequent Fitch Rating Event post collateral in accordance with the terms of the Credit Support Annex.

Failure by the Interest Rate Swap Counterparty to take measures described above following an Initial Fitch Downgrade Event or a Subsequent Fitch Rating Event will constitute an Additional Termination Event under the Interest Rate Swap Agreement.

The Initial Fitch Downgrade Event and Subsequent Fitch Rating Event are contingent on the Class A Notes being rated AAAsf by Fitch. In the event that the Class A Notes are rated lower than AAAsf by Fitch and such rating of the Class A Notes has not been lowered as a result of a failure by the Interest Rate Swap Counterparty to comply with the measures described above following an Initial Fitch Downgrade Event or a Subsequent Fitch Rating Event, the ratings triggers for an Initial Fitch Downgrade and a Subsequent Fitch Rating Event will be lowered in accordance with the terms of the Interest Rate Swap Agreement.

DBRS Requirements

To the extent the Interest Rate Swap Counterparty becomes rated by DBRS, if at any time the long term issuer default rating of the Interest Rate Swap Counterparty (or its replacement) and any Credit Support Provider (as defined in the Interest Rate Swap Agreement) from time to time in respect of the Interest Rate Swap Counterparty ceases to be at least "A" by DBRS (such initial rating downgrade an "**Initial DBRS Rating Event**") the Interest Rate Swap Agreement will require the Interest Rate Swap Counterparty, at its own cost and within 30 Business Days of the occurrence of such downgrade:

- (a) to post collateral on the terms set out in the Credit Support Annex; or
- (b) to the extent permitted by the Interest Rate Swap Agreement, subject to certain conditions, including that such replacement contracts with the Issuer on identical terms as to payment or delivery and in all other material respects, on terms no less beneficial for the Issuer than the terms of the Interest Rate Swap Transaction, transfer all of its rights and obligations under the Interest Rate Swap Agreement to a replacement entity whose long term unsecured, unsubordinated debt obligations are rated at least as high "A" by DBRS, or if such entity has no DBRS rating, it has equivalent ratings by another rating agency, or the obligations of such entity under the Interest Rate Swap Agreement are guaranteed by an entity whose long term unsecured, unsubordinated debt obligations are rated at least "A" by DBRS or, if such guarantor entity has no DBRS rating, it has an equivalent rating by another rating agency; or the long term IDR of such entity is rated at least as high as "A" by Fitch; or the obligations of such entity under the Interest Rate Swap Agreement are guaranteed by an entity whose long term IDR is rated at least as high as "A" by Fitch (a "**First Threshold DBRS Compliant Entity**"); or
- (c) to procure a First Threshold DBRS Compliant Entity to provide a guarantee which complies with the "**Swap Criteria for European Structured Finance Transactions**" published by DBRS in June 2011 (the "**DBRS Swap Criteria**") or which DBRS has otherwise approved (a "**DBRS Compliant Guarantee**") in respect of the obligations of the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement; or
- (d) take such other action as may be agreed with DBRS as will result in the rating of the Class A Notes by DBRS following the taking of such action being maintained at, or restored to, the level at which it was immediately prior to such Initial DBRS Rating Event,

until the date on which the Interest Rate Swap Counterparty, its replacement or the relevant Credit Support Provider (as defined in the Interest Rate Swap Agreement) is rated at least "A" (or its equivalent) by DBRS.

If the Interest Rate Swap Counterparty satisfies any of the requirements described under (b) to (d) above, it will not be required to transfer any collateral in respect of the Initial DBRS Rating Event.

If at any time the long term issuer default rating of the Interest Rate Swap Counterparty (or its replacement) or any Credit Support Provider (as defined in the Interest Rate Swap Agreement) from time to time in respect of the Interest Rate Swap Counterparty ceases to be at least "BBB" (or its equivalent) by DBRS (a "**Subsequent DBRS Rating Event**") the Interest Rate Swap Agreement will require the Interest Rate Swap Counterparty (at its own cost) to:

- (a) post collateral on the terms set out in the Credit Support Annex within 30 Business Days of the occurrence of such downgrade; or
- (b) use commercially reasonable efforts to, either:
 - (i) to the extent permitted by the Interest Rate Swap Agreement, transfer all of its rights and obligations in respect of the Interest Rate Swap Agreement to a First Threshold DBRS Compliant Entity or, where the transferee is not a First Threshold DBRS Compliant Entity and collateral is transferred in accordance with the provisions of the Credit Support Annex from the date of such transfer by the transferee; to an entity that could lawfully perform the obligations owing to the Issuer under the Interest Rate Swap Agreement and (a) whose long term unsecured, unsubordinated debt obligations are rated at least as high as "BBB" or, if such entity has no DBRS rating, it has equivalent ratings by another rating agency; or (b) the obligations of such entity under the Interest Rate Swap Agreement are guaranteed by an entity whose long term unsecured, unsubordinated debt obligations are rated at least as high as "BBB" or, if such entity has no DBRS rating, it has equivalent ratings by another rating agency; or (c) the long term IDR of such entity is rated at least as high as BBB by Fitch; or (d) the obligations of such entity under the Interest Rate Swap Agreement are guaranteed by an entity whose long term IDR is rated at least as high as "BBB" by Fitch (a "**Second Threshold DBRS Compliant Entity**"); or
 - (ii) procure a First Threshold DBRS Compliant Entity to provide a DBRS Compliant Guarantee in respect of the obligations of the Interest Rate Swap Counterparty in respect of the Interest Rate Swap Agreement; or
 - (iii) take such other action as may be agreed with DBRS as will result in the rating of the Class A Notes by DBRS following the taking of such action being maintained at, or restored to, the level at which it was immediately prior to such Subsequent DBRS Rating Event,

until the date on which the Interest Rate Swap Counterparty, its replacement or the relevant Credit Support Provider (as defined in the Interest Rate Swap Agreement) is rated at least "BBB" (or its equivalent) by DBRS.

If the Interest Rate Swap Counterparty satisfies any of the requirements described under (i) to (iii) above, it will not be required to transfer any collateral in respect of the Subsequent DBRS Rating Event.

Failure by the Interest Rate Swap Counterparty to take measures described above following an Initial DBRS Downgrade Event or a Subsequent DBRS Rating Event will constitute an Additional Termination Event under the Interest Rate Swap Agreement.

Credit Support Annex

The Issuer and the Interest Rate Swap Counterparty will enter into a collateral agreement in the form of a 1995 ISDA Credit Support Annex (Bilateral Form — Transfer) on the Closing Date (the "**Credit Support Annex**"). The Credit Support Annex will provide that, from time to time, subject to the conditions specified in the Credit Support Annex, the Interest Rate Swap Counterparty will make transfers of collateral to the Issuer in support of its obligations under the Interest Rate Swap Agreement

(the "**Swap Collateral**") and the Issuer will be obliged to return such Swap Collateral in accordance with the terms of the Credit Support Annex.

Collateral amounts that may be required to be transferred by the Interest Rate Swap Counterparty pursuant to the Credit Support Annex may be delivered in the form of cash or securities. Cash amounts will be paid into an account designated a "**Swap Collateral Cash Account**" and securities will be transferred to an account designated a "**Swap Collateral Custody Account**" which will be required to be opened by the Issuer Cash Manager if needed.

Amounts equal to any amounts of interest on the credit balance of the Swap Collateral Cash Account, or equivalent to distributions received in respect of securities held in the Swap Collateral Custody Account, and any equivalent securities due to be returned to the Interest Rate Swap Counterparty pursuant to the Credit Support Annex (in the event that the Interest Rate Swap Counterparty has transferred excess collateral thereunder) are required to be paid to the Interest Rate Swap Counterparty in accordance with the terms of the Credit Support Annex. The obligation of the Issuer in respect of any return of securities posted as collateral pursuant to the Credit Support Annex in the form of a 1995 ISDA Credit Support Annex (Bilateral Form — Transfer) is to return "equivalent securities".

Tax provisions under the Interest Rate Swap Agreement

Part 5(e) of the schedule to the Interest Rate Swap Agreement states that if the Interest Rate Swap Counterparty is required to withhold any tax in respect of any amount due to the Issuer under the Interest Rate Swap Agreement it will be required to make additional payments to the Issuer on each affected payment date so that the Issuer will receive the full amount due to it under the Interest Rate Swap Agreement on that date. The Issuer will not be obliged to make any additional payments to the Interest Rate Swap Counterparty in the event that it is required to withhold any tax in respect of any amount due to the Interest Rate Swap Counterparty under the Interest Rate Swap Agreement. The Interest Rate Swap Counterparty will have the right to terminate all transactions affected by such withholding or deduction if it is required to withhold any tax as a result of any action taken by a taxing authority, or brought in a court of a competent jurisdiction, on or after the date on which an Interest Rate Swap Transaction is entered into or as a result of a change in tax law.

SERVICING ARRANGEMENTS FOR THE LOANS

Servicing and Special Servicing of the Loans

Pursuant to the Servicing Agreement, the Issuer will appoint Situs Asset Management Limited as Servicer (the "**Servicer**") and as the initial Special Servicer (the "**Special Servicer**") to act as its agent and provide certain services in relation to the Loans and the Transaction Security.

The Issuer and the Borrower Security Trustee will delegate to the Servicer, and for so long as the Loans are each Specially Serviced Loan, the Special Servicer, the exercise of all their rights, powers and discretions in relation to the Loans and the Transaction Security, other than, in the case of the Borrower Security Trustee, those which may only be exercised by the legal owner of the Transaction Security (which the Borrower Security Trustee will agree only to exercise in accordance with the instructions of the Servicer or, in certain circumstances, the Special Servicer). When exercising the rights, powers and discretions of the Issuer and/or the Borrower Security Trustee, the Servicer or, for so long as the Loans are Specially Serviced Loans, the Special Servicer, must act in accordance with, among other things, the terms of the Servicing Standard.

Servicing Standard

Each of the Servicer and the Special Servicer is required to perform its duties on behalf of and for benefit of the Issuer and the Borrower Security Trustee in accordance with and subject to the following (the "**Servicing Standard**"):

- (a) all applicable laws and regulations;
- (b) the terms of the Finance Documents;
- (c) the terms of the Servicing Agreement; and
- (d) in each case and to the extent consistent with such terms, the higher of:
 - (i) the same manner and with the same skill, care and diligence it applies to servicing similar loans for other third parties; or
 - (ii) the standard of care, skill and diligence which it applies in servicing commercial mortgage loans in its own portfolio,

in each case giving due consideration to the customary and usual standards of practice of reasonably prudent commercial mortgage loan servicers servicing commercial mortgage loans which are similar to the Loans, with a view to the timely collection of all scheduled payments of principal, interest and other amounts due in respect of the Loans and the Transaction Security and, if the Loans come into, and continue to be in, default, maximising recoveries in respect of the Loans on or before the Final Maturity Date for the Issuer.

In applying the Servicing Standard, neither the Servicer nor for so long as the Loans are each a Specially Serviced Loan, the Special Servicer shall have regard to:

- (a) any fees or other compensation to which the Servicer or Special Servicer may be entitled; and/or
- (b) any relationship the Servicer or Special Servicer or any of their respective affiliates may have with any Borrower or any Affiliate of any Borrower or any party to the transactions entered into in connection with the issue of the Notes; and/or
- (c) the ownership of any Note or any interest in the Loans by the Servicer or Special Servicer or any of their respective affiliates.

Rights of Delegation

The Servicer or, in the case of Specially Serviced Loan, the Special Servicer may, in certain circumstances, without the consent of any other person (including, without limitation, the Issuer), sub-contract or delegate their respective obligations under the Servicing Agreement. Notwithstanding any sub-contracting or delegation of the performance of any of its obligations under the Servicing Agreement,

the Servicer or for so long as the Loans are each a Specially Serviced Loan, the Special Servicer, as the case may be, will not be released or discharged from any liability thereunder and will remain responsible for the performance of its obligations under the Servicing Agreement by any sub-contractor or delegate.

Collection Obligations

Until the principal and interest on the Loans are each paid in full, the Servicer or the Special Servicer will be required to use efforts consistent with the Servicing Standard to collect all payments called for under the terms and provisions of the Loans and each is required to follow such collection procedures as are consistent with the Servicing Agreement and in accordance with the Servicing Standard and the Finance Documents.

Other Responsibilities of the Servicer and the Special Servicer

In addition to its obligations described above, the Servicer or, if the Loans are each a Specially Serviced Loan, the Special Servicer will have certain obligations with respect to managing the interests of the Issuer and the Borrower Security Trustee, including with respect to any modification, waiver and consent relating to the Loans, monitoring compliance by the Borrowers with the covenants under the Loans, monitoring and ensuring compliance with the registration of the assignment of existing mortgages in order to perfect the Transaction Security and taking any actions to realise the Transaction Security for the Loans and monitoring the delivery by the Obligor Agent to the Borrower Security Trustee of the second enforceable copies of the existing Land Charge deeds as contemplated by the Facility Agreement. See "*Servicing Arrangements for the Loans – Enforcement of Loans*" and "*Servicing Arrangements for the Loans – Modifications, Waivers, Amendments and Consents*".

Special Servicer Transfer Event

The Servicer will have the sole responsibility to service and administer the Loans until the occurrence of a Special Servicer Transfer Event in relation to the Loans.

Subject to the provisions of the Servicing Agreement, the Loans will become subject to a "**Special Servicer Transfer Event**" if any of the following events occurs:

- (a) a Loan Event of Default pursuant to the Facility Agreement on the Loan Maturity Date;
- (b) any Obligor under the Facility Agreement becoming subject to any of the events described in "*The Facility Agreement – Events of Default – Insolvency, insolvency proceedings and creditors' process*";
- (c) a Loan Event of Default pursuant to a cross-default or creditors' process occurring under the Facility Agreement "*The Facility Agreement – Events of Default – cross – default*"; or
- (d) any other Loan Event of Default as prescribed in the Facility Agreement occurs or is, in the opinion of the Servicer, exercised in accordance with the Servicing Standard, imminent and is not likely to be cured within 21 days, and, in each case, which would be likely to have a Material Adverse Effect upon the interests of the Issuer.

Upon determination by the Servicer or the Special Servicer, as applicable, that a Special Servicer Transfer Event has occurred (**provided that**, in case of conflict as to whether a Special Servicer Transfer Event has occurred, the opinion of the Servicer will prevail), the Special Servicer will formally assume special servicing duties in respect of such Loans and such Loans will become "**Specially Serviced Loan**". Servicing of a Specially Serviced Loan will be retransferred to the Servicer and it will become a "**Corrected Loan**" upon the discontinuance of any event which would constitute a monetary Special Servicer Transfer Event for two consecutive Loan Interest Accrual Periods and the facts giving rise to any other Special Servicer Transfer Event ceasing to exist and **provided that** no other matter exists which would give rise to the Loans becoming Specially Serviced Loan.

Notwithstanding the appointment of the Special Servicer, the Servicer shall continue to provide certain services in relation to the Loans as provided for in the Servicing Agreement and will, among other things, continue to collect information, prepare reports and perform administrative functions, subject to receipt by it of the required information from the Special Servicer (but will not be subject to any of the duties and obligations of the Special Servicer and shall not be entitled to receive the Special Servicing Fee with

respect thereto). Neither the Servicer nor the Special Servicer will have responsibility for the performance by the other of its obligations and duties under the Servicing Agreement.

Asset Status Report

Pursuant to the Servicing Agreement, if a Special Servicer Transfer Event occurs the Special Servicer will be required to prepare an asset status report (an "**Asset Status Report**") with respect to the Loans and the Properties not later than 60 days after the occurrence of such Special Servicer Transfer Event.

The Servicing Agreement will provide that the Asset Status Report should contain among other things:

- (a) a description of the status of the Loans and the Properties, any strategy with respect to the same and any negotiations with the Borrowers or other Obligor;
- (b) a consideration of the effect on net present value of the various courses of action with respect to the Loans including, without limitation, workout of the Loans or the Transaction Security; and
- (c) a summary of the Special Servicer's recommended actions and strategies with respect to the Loans which, subject to the terms of the Servicing Agreement, shall be the course of action that the Special Servicer has determined would maximise recovery on the Loans on a net present value basis.

Promptly after the Asset Status Report has been prepared or modified in accordance with the Servicing Agreement, the Special Servicer shall deliver a copy of such Asset Status Report to the Rating Agencies and the Servicer. The Special Servicer will also be required to deliver to the Issuer and the Note Trustee a draft form of a proposed notice to the Noteholders that will include a summary of the current Asset Status Report (which will be a brief summary of the current status of the Properties and current strategy with respect to the Loans, with information redacted if and to the extent the Special Servicer determines, in its reasonable discretion, that it may compromise the position of the Issuer, as lender), and the Issuer will be required to publish such summary in a regulated information service ("**Regulatory Information Service**") filing or equivalent filing, if any, that complies with the requirements of the relevant exchange on which the Notes are listed and applicable law. The Special Servicer may, from time to time, modify any Asset Status Report that it has previously delivered and shall modify any such Asset Status Report to reflect any changes in strategy that it considers are required from time to time by the Servicing Standard and shall promptly deliver the modified report to the Rating Agencies and the Servicer and shall deliver a revised summary of the same to the Issuer and the Note Trustee, which the Issuer shall publish in compliance with the rules of the relevant exchange.

Reviews

The Servicer, and following any Special Servicer Transfer Event, the Special Servicer shall inspect, or cause to be inspected the applicable Properties whenever the Servicer or Special Servicer, as applicable, becomes aware that such Properties have been materially damaged, left vacant, or abandoned, or if waste is being committed there. The Servicer or for so long as each Loan is a Specially Serviced Loan, the Special Servicer, is authorised to conduct such review (an "**Ad Hoc Review**") more frequently, to the extent permitted by applicable law, if the Servicer or, following a Special Servicer Transfer Event, the Special Servicer, acting in accordance with the Servicing Standard, has cause for concern as to the ability of any Borrower to meet its financial obligations under the Finance Documents. An Ad Hoc Review may include an inspection of a sample of the Properties and will include consideration of the quality of the cash flow arising from the Properties and a compliance check of each Borrower's covenants under the Finance Documents. All Ad Hoc Reviews shall be performed in such manner as is consistent with the Servicing Standard. All such inspections shall be at the cost and expense of the Issuer.

Insurance

The Servicer (for so long as each Loan is a not a Specially Serviced Loan) and the Special Servicer (for so long as each Loan is a Specially Serviced Loan) will, on behalf of the Borrower Security Trustee and the Issuer, administer the procedures for monitoring compliance by the Obligor with the maintenance of insurance in respect of, or in connection with, the Loans and the Transaction Security. Pursuant to the terms of the Servicing Agreement, the Servicer or for so long as each Loan is a Specially Serviced Loan, the Special Servicer, are required to use reasonable efforts consistent with the Servicing Standard to monitor the compliance of, and to the extent reasonably practicable, to cause the Obligor to comply with,

the requirements of the related Finance Documents regarding the maintenance of insurance on the related Properties.

To the extent consistent with the Finance Documents, each of the Servicer or for so long as each Loan is a Specially Serviced Loan, the Special Servicer, is required under the Servicing Agreement to use reasonable endeavours consistent with the Servicing Standard to ensure that each Obligor maintains insurance coverage required under the Finance Documents with a substantial and reputable insurance office or underwriters.

If the Servicer or the Special Servicer, as applicable, becomes aware that either: (a) the Properties are not covered by a buildings insurance policy; or (b) a buildings insurance policy may lapse in relation to the Properties due to the non-payment of any premium, the Servicer or the Special Servicer, as applicable, shall use reasonable efforts (using, if necessary, the proceeds of a Property Protection Advance), subject always to all applicable laws and regulations and consistent with the Servicing Standard, to procure that buildings insurance is maintained for the Properties in the form required under the related Finance Documents. If any Obligor does not comply with its obligations in respect of any insurance policy, the Borrower Security Trustee (or the Servicer or Special Servicer on its behalf) may (without any obligation to do so) effect or renew any such insurance policy on behalf of the Borrower Security Trustee (and not in any way for the benefit of the Obligor concerned) and, to the extent permitted under the relevant Finance Documents, the Servicer or the Special Servicer, as applicable, shall make claim for the moneys expended by the Borrower Security Trustee so effecting or renewing any such insurance from the Obligors. However, neither the Servicer nor the Special Servicer is required to pay or instruct payment of any amount described above if, in its reasonable opinion, to do so would not be in accordance with the Servicing Standard. See also "*Risk Factors—Insurance*".

Each of the Servicer and the Special Servicer will be required to keep in full force and effect throughout the term of the Servicing Agreement, an errors and omissions insurance policy covering the Servicer's or Special Servicer's, as applicable, officers, employees and agents.

Hedging Arrangements

The Servicer will perform certain duties in respect of any hedging arrangement entered into by the Issuer (see "*The Swap Arrangements*").

Heritable Building Rights

The Servicer or (if each Loan is a Specially Serviced Loan) the Special Servicer may, at the cost of the Issuer, take all reasonable steps in accordance with the Finance Documents to prevent the forfeiture or irritancy of any heritable building rights, including without limitation paying any amount due in respect of such heritable building rights or seeking relief in any court action, **provided that** the Servicer or (if each Loan is a Specially Serviced Loan) the Special Servicer will not be required to take any such action if in its reasonable opinion the cost of any action would not benefit the Issuer.

Power to Raise Funds

Each of the Servicer, or for so long as each Loan is a Specially Serviced Loan, the Special Servicer, will be allowed to raise funds on behalf of the Issuer from third parties, including the ability to cause such funds and the cost of such funds to be reimbursed in priority to the Notes, in order to fund expenses relating to preserving the rights and interest of the Issuer (as lender), in the Loans and the Transaction Security, provided the Issuer is unable to fund such expenses through a Property Protection Drawing. Such right to raise funds includes any rights of the Issuer, as lender, to authorise any administrator of any Borrower to raise funds in order to preserve the value or permit the continued operation of the Properties.

In determining whether to cause any such funds to be raised, the Servicer or, for so long as each Loan is a Specially Serviced Loan, the Special Servicer must determine that:

- (a) raising such amounts would be consistent with the Servicing Standard; and
- (b) it would be in the better interest of the Issuer, as lender, that such amounts were raised as opposed to such amounts not being raised, taking into account the relevant circumstances, which will include, but not be limited to, the related risks to which the Issuer would be exposed to if such

amounts were not raised and whether any such amounts would ultimately be recoverable from the Borrowers.

Property Protection

The Facility Agreement obliges the Borrowers to pay certain amounts to third parties, such as insurers and persons providing services in connection with the operation of the Properties.

If a Borrower fails to do so and:

- (a) the amounts standing to the credit of the Control Accounts are insufficient or not available for such purpose; and
- (b) the Servicer or, in the case of Specially Serviced Loan, the Special Servicer, determines in accordance with the Servicing Standard that it would be in the better interest of the Issuer, as lender, that such amounts were paid as opposed to such amounts not being paid, taking into account the relevant circumstances, which will include, but not be limited to, the related risks that the Issuer would be exposed to if such amounts were not paid and whether any payments made by or on behalf of the Issuer would ultimately be recoverable from the Obligor,

then the Servicer or, for so long as each Loan is a Specially Serviced Loan, the Special Servicer may make the relevant Third Party Payment, being any amounts required to be paid to third parties including, without limitation, insurers and persons providing services in each case in connection with a Property by a Borrower or other obligor under or pursuant to the relevant Facility Agreement, ("**Third Party Payment**" and any such payment being, a "**Property Protection Advance**"). The Servicer or for so long as each Loan is a Specially Serviced Loan, the Special Servicer may make a Property Protection Advance by requesting the Issuer Cash Manager (on behalf of the Issuer) to make a Property Protection Drawing under the Liquidity Facility. If no funds are available to be drawn under the Liquidity Facility for that purpose and the Servicer for so long as each Loan is a Specially Serviced Loan, the Special Servicer decides in its sole discretion to do so, it may (but shall have no obligation to) make a Property Protection Advance from its own funds. If the Servicer or for so long as each Loan is a Specially Serviced Loan, the Special Servicer makes a Property Protection Advance from its own funds, it will be repaid, subject to the Priorities of Payment and the limited recourse provisions contained within the Issuer Deed of Charge together with interest thereon at the Reimbursement Rate on the Note Payment Date immediately following the date on which such Property Protection Advance was made.

Modifications, Waivers, Amendments and Consents

The Servicing Agreement will permit the Servicer, if no Special Servicer Transfer Event has occurred or is continuing, or the Special Servicer, if a Special Servicer Transfer Event has occurred and is continuing, to modify, waive or amend any term of the Facility Agreement or any other Finance Document on behalf of the Issuer and/or the Borrower Security Trustee if such modification, waiver or amendment is in accordance with the Servicing Standard.

The Servicer or, for so long as each Loan is a Specially Serviced Loan, the Special Servicer, is required to notify the Note Trustee, the Issuer Security Trustee, the Issuer and the Rating Agencies, in writing, of any modification, waiver or amendment of any term of the Loans and the date of the modification.

Note Maturity Plan

If any Loans remains outstanding six months prior to the Final Maturity Date, the Special Servicer shall be required to prepare a Note Maturity Plan and present the same to the Issuer, the Note Trustee and the Issuer Security Trustee not later than 45 days after the date falling six months prior to the Final Maturity Date together with a statement of whether, in the opinion of the Special Servicer, all recoveries then anticipated by the Special Servicer with respect to the Loans (whether by enforcement of the Transaction Security or otherwise) are likely to be realised in full prior to the Final Maturity Date. The Issuer, with the assistance of the Special Servicer, will publish the Note Maturity Plan with the Regulatory Information Service.

Upon receipt of the draft Note Maturity Plan, the Note Trustee shall convene, at the cost of the Issuer, a meeting of all Noteholders at which the Noteholders will have the opportunity to discuss the various proposals contained in the draft Note Maturity Plan with the Special Servicer. Following such meeting, if

the Special Servicer is of the opinion that the Loans are unlikely to be realised in full prior to the Final Maturity Date, the Special Servicer shall reconsider the Note Maturity Plan and make modifications thereto to address the views of Noteholders (subject to the Servicing Standard) following which it will promptly provide a final Note Maturity Plan to the Issuer, the Noteholders, the Note Trustee and the Issuer Security Trustee.

Upon receipt of the final Note Maturity Plan, the Note Trustee shall convene, at the cost of the Issuer, a meeting of the Noteholders of the Most Senior Class of Notes then outstanding at which the Noteholders of the Most Senior Class of Notes will be requested to select their preferred option among the proposals set forth in the final Note Maturity Plan. The Special Servicer shall, notwithstanding any other provision of the Servicing Agreement or requirement to act in accordance with the Servicing Standard, implement the proposal that receives the approval of the Noteholders of the Most Senior Class of Notes by way of Ordinary Resolution. If no option receives the approval of the Noteholders of the Most Senior Class of Notes at such meeting, the Issuer Security Trustee shall be deemed to be directed by all the Noteholders to appoint a receiver in order to realise the Charged Property in accordance with its terms pursuant to the Issuer Deed of Charge, **provided that** it will have no obligation to do so if it shall not have been indemnified and/or secured and/or prefunded to its satisfaction.

Servicing Fee

On each Note Payment Date, the Issuer shall pay to the Servicer a fee ("**Servicing Fee**") (exclusive of VAT, if applicable) in respect of the Loans equal to 0.0175 per cent. per annum of the outstanding principal balance of each Loan as at the first day of the Loan Interest Accrual Period to which such Note Payment Date relates. Following any termination of the Servicer's appointment as Servicer, the Servicing Fee will be paid to any substitute servicer appointed; **provided that** the Servicing Fee may be payable to any substitute servicer at a higher rate agreed in writing by the Issuer (but which does not exceed the rate then commonly charged by providers of loan servicing services in relation to commercial properties).

Special Servicing Fee, Liquidation Fee, Workout Fee

On each Note Payment Date in relation to the Loans if they are each a Specially Serviced Loan, the Special Servicer will be entitled to be paid by the Issuer:

- (a) a fee (a "**Special Servicing Fee**") (exclusive of VAT, if applicable) equal to 0.1 per cent. per annum of the outstanding principal balance of each Loans for each day that it is designated as a Specially Serviced Loan. The Special Servicing Fee shall be paid in addition to the Servicing Fee. The Special Servicing Fee shall accrue on a daily basis over such period and shall be payable on each Note Payment Date commencing with the Note Payment Date immediately following the date on which such period begins and ending on the Note Payment Date immediately following the end of such period. The Special Servicing Fee in respect of a Specially Serviced Loan shall cease to accrue on the date that the Specially Serviced Loan becomes a Corrected Loan;
- (b) a liquidation fee (the "**Liquidation Fee**") (exclusive of VAT, if applicable) equal to 0.75 per cent. of the proceeds of sale, net of costs and expenses of sale, if any, arising from the sale of the Loans or any Borrower or any part of the Properties; **provided that**, in the case of a sale of the Properties, the Special Servicer had a material role in the sale, (whether directly or indirectly) following the enforcement of the security (or deed in lieu thereof) in respect of such loan (such proceeds, "**Liquidation Proceeds**"), which will be payable in accordance with the terms of the Servicing Agreement, **provided that** no Liquidation Fee will be payable in respect of Liquidation Proceeds:
 - (i) where the relevant Loan was a Specially Serviced Loan for a period of fewer than 30 days; or
 - (ii) where the relevant Loan or any Obligor or any part of the Properties (whether directly or indirectly) is sold to an Affiliate of the Special Servicer.

The Liquidation Fee will be payable in priority to the Notes on the Note Payment Date following the receipt of Liquidation Proceeds; and

- (c) a workout fee (the "**Workout Fee**") payable to the Special Servicer, if any Loan which was a Specially Serviced Loan subsequently becomes a Corrected Loan, save as a result of an extension of the Loans in accordance with the Facility Agreement. The Workout Fee shall be an amount (exclusive of VAT, if applicable) equal to 0.75 per cent. of each collection of interest and principal received in respect of the relevant Loan for so long as it remains a Corrected Loan. However, no Workout Fee will be payable if the Special Servicer Transfer Event which gave rise to the relevant Loan becoming a Specially Serviced Loan ceased to exist within 30 days of such Loans becoming Specially Serviced Loan and no other Special Servicer Transfer Event occurred while such a Loan remained a Specially Serviced Loan.

The Servicing Fee and the Special Servicing Fee will cease to be payable in relation to any Loan if any of the following events (each, a "**Liquidation Event**") occurs in relation to such Loan:

- (A) the Loan is repaid in full; or
- (B) a Final Recovery Determination is made with respect to the Loan.

"**Final Recovery Determination**" means, in relation to the Loans, a determination by the Special Servicer acting in accordance with the Servicing Standard, that there has been a recovery of all amounts or recoveries that, in the Special Servicer's judgment, as applicable, will ultimately be recoverable with respect to the Loans, such judgment to be exercised in accordance with the Servicing Standard.

Servicing Expenses

On each Note Payment Date, the Servicer and the Special Servicer shall be entitled to be reimbursed (with interest thereon) in respect of out-of-pocket costs, expenses and charges properly incurred by them in the performance of their servicing obligations. Such costs and expenses are payable by the Issuer on the Note Payment Date following the Loan Interest Accrual Period during which they are incurred by the Servicer or the Special Servicer and without prejudice to any other right to payment or, in the case of fees, costs and expenses which are paid directly by a Borrower immediately on the date which such fees, costs and expenses are collected from a Borrower.

Liability of Servicer and Special Servicer

Neither the Servicer nor the Special Servicer will be responsible for any loss or liability to the Issuer other than those losses caused by its negligence, fraud or wilful misconduct. The Servicer and the Special Servicer will not be negligent if it takes any action in reliance of advice received from any adviser, **provided that** the Servicer or for so long as each Loan is a Specially Serviced Loan, the Special Servicer, was not fraudulent or negligent in its selection of such adviser and was not aware (nor negligent for not being aware) of any conflict of interest that such adviser might have with respect to the advice being provided where such conflict of interest was a likely source of the loss to the Issuer.

Quarterly Reporting

Subject to any limitation imposed by applicable law or any confidentiality agreement, the Servicer will deliver to the Issuer, the Issuer Cash Manager, the Special Servicer and the Rating Agencies on each Determination Date, in respect of the Loans, for the period from (and including) a Loan Payment Date to (and excluding) the next following Loan Interest Date (each, a "**Loan Interest Accrual Period**") and, following a Loan Event of Default, the Note Trustee (**provided that**, with respect to the CMSA E-IRP Loans Setup File, the Servicer will, in addition, provide such information prior to the first Note Payment Date), the following reports with respect to the Loans, each of which shall provide the required information in respect of the Loan Interest Accrual Period immediately preceding the immediately ended Loan Interest Accrual Period (in the case of item (a) below and information fields based on information provided by the relevant Borrowers) or in respect of the immediately ended Loan Interest Accrual Period (in the case of the other items listed below) in each case based on information provided by the Special Servicer if each Loan is a Specially Serviced Loan the following reports:

- (a) a report setting forth, the majority of loan-level information including, cut-off balance, original mortgage rate, maturity date and general payment information, as well as financial data ("**CMSA E-IRP Loans Set-up File**");

- (b) a report setting forth, quarterly remittances on the Loans as well as the tracking of both scheduled and unscheduled payments on the Loans ("**CMSA E-IRP Loans Periodic Update File**");
- (c) a report setting forth, information regarding the Properties including, property name, address and identification number ("**CMSA E-IRP Property File**"); and
- (d) a report setting forth, among other things, details of any event that would cause the Loans to be included on the servicer watchlist ("**CMSA E-IRP Servicer Watchlist Criteria and Servicer Watchlist File**"),

(together, the "**CMSA European Investor Reporting Package**").

The CMSA European Investor Reporting Package shall be in the form prescribed in the standard European Investor Reporting Package published by the Commercial Real Estate Finance Council Europe from time to time (formally and commonly known as the CMSA – Europe Investor Reporting Package ("**CMSA-E-IRP**")) (or as modified to take into account any changes for properties located in Germany).

In addition to the CMSA European Investor Reporting Package, the Servicer will report additional information on the Loans on each Determination Date (in the form of Appendix II), including the following:

- (i) the Loan to Value compliance of the Loans calculated in accordance with the methodologies for determining compliance with the related covenant under the Facility Agreement; and
- (ii) the DSCR compliance of the Loans calculated in accordance with the methodologies for determining compliance with the related covenant under the Facility Agreement.

Such additional information provided by the Servicer may be modified from time to time in the Servicer's sole discretion. The Servicer will also provide, during each Loan Interest Accrual Period, a report based, where necessary, on information provided to the Servicer by the Special Servicer, with information provided by the Obligors pursuant to the information covenants contained in the Facility Agreement in relation to the immediately preceding Loan Interest Accrual Period (such report, together with the CMSA European Investor Reporting Package, the "**Servicer Quarterly Report**").

The Servicer Quarterly Report, will be made publicly available by the Issuer Cash Manager, on behalf of the Servicer, at www.usbank.com/abs which internet website does not form part of this Prospectus.

Other Reporting

The Servicer has agreed to deliver to the Issuer, the Issuer Cash Manager, the Special Servicer and the Issuer Security Trustee the following reports:

- (a) on the Loan Payment Date immediately following a modification of the Loans, a report setting forth, among other things, the original and revised terms, as applicable, of (i) the Loans, as of such Loan Payment Date and (ii) the Loans as of the Original Facility Date; and
- (b) on the Loan Payment Date immediately following a liquidation of the Loans, a report setting forth, among other things, the amount of Liquidation Proceeds and liquidation expenses in connection with the liquidation of the Loans.

The Servicer's ability to provide the reports referred to above may, in the case of a Specially Serviced Loan, depend on the timely receipt of the necessary information from the Special Servicer.

In order to assist in its compliance with the European Commission's "Market Abuse Directive" (Directive 2003/6/EC), the Issuer has instructed the Servicer and Special Servicer to notify it of any information relating to the Loans or any Property, as applicable, that the Servicer or Special Servicer reasonably determines is likely to have a material impact on the value of the Loans or Property and which is not, to the Servicer's or Special Servicer's knowledge, already publicly available information, to the extent that the Servicer or Special Servicer has actual knowledge of the same. Further, the Servicer and the Special Servicer have agreed that they will only withhold information from disclosure to the extent required by the Servicing Standard or to the extent otherwise restricted by law or agreement, and subject at all times

to applicable disclosure requirements under the Market Abuse Directive and relevant implementing measures.

The Issuer will procure that such information is disclosed by making it available to any Regulatory Information Service maintained and/or recognised by the Irish Stock Exchange and to "Company Announcements" at the Irish Stock Exchange. Such information can, as at the date of this Prospectus, be accessed through the "Company Announcements" section of the Irish Stock Exchange's website at www.ise.ie and searching under the name of the Issuer.

Enforcement of the Loans

If the Servicer determines, in its discretion (which shall be applied in accordance with the Servicing Standard) that a Loan Event of Default has occurred, the Servicer will forthwith give notice to the Borrower and any other party as required under the Finance Documents, with a copy to the Issuer, the Issuer Security Trustee, the Special Servicer and the Rating Agencies.

Each of the Servicer or, if each Loan is a Specially Serviced Loan, the Special Servicer, will determine in accordance with the Servicing Standard, the best strategy for exercising the rights, powers and discretions of the Issuer and the Borrower Security Trustee following the occurrence of a Loan Event of Default and to implement such strategy in accordance with the Servicing Standard. The Special Servicer will document its proposed strategy with the delivery of an Asset Status Report.

The Servicer and the Special Servicer will use their best efforts to ensure that no action will be taken in relation to the Properties if, as a result of such action any of the Secured Obligations in favour of the Issuer, the Borrower Security Trustee, the Note Trustee or the Issuer Security Trustee would be subordinated pursuant to Sec. 39 para. 1 No.5 or para. 2 of the German Insolvency Code.

As soon as reasonably practicable after the Special Servicer makes a Final Recovery Determination with respect to any of the Loans, it will promptly notify the Servicer, the Issuer and the Issuer Cash Manager of the amount of such Final Recovery Determination. The Special Servicer shall maintain an accurate record of the Final Recovery Determinations (if any) and the basis of determination thereof.

Each of the Servicer and the Special Servicer shall procure that if, after enforcement of the Transaction Security, an amount in excess of all sums due from the Borrowers under the Finance Documents is recovered or received, the balance (after discharge of all such sums) is paid to the persons entitled thereto pursuant to the terms of the Finance Documents.

Termination for Cause of the Appointment of the Servicer or Special Servicer

The following constitute Servicer or Special Servicer, as applicable, termination events under the Servicing Agreement (each, a "**Servicer Termination Event**" or "**Special Servicer Termination Event**", as applicable):

- (a) provided that there are sufficient funds available, any failure by the Servicer or Special Servicer to remit any payment required to be made or remitted by it when required to be remitted under the terms of the Servicing Agreement by 11:00 a.m., London time, on the first Business Day following the date on which such remittance was required to be made;
- (b) any failure by the Servicer or Special Servicer to observe or perform in any material respect any other of its covenants or agreements or the material breach of its representations or warranties under the Servicing Agreement, which failure will continue unremedied for a period of 30 days after the date on which written notice of such failure is given to the Servicer or the Special Servicer (as applicable), by the Issuer or the Issuer Security Trustee, provided, however, that with respect to any such failure that is not curable within such 30-day period, the Servicer or for so long as each Loan is a Specially Serviced Loan, the Special Servicer, will have an additional cure period of 30 days to effect such cure so long as it has commenced to cure such failure within the initial 30-day period and has provided the Issuer and the Issuer Security Trustee with an officer's certificate certifying that it has diligently pursued, and is continuing to diligently pursue, such cure;
- (c) certain events of bankruptcy, insolvency, administration or similar proceedings and certain actions by, on behalf of or against the Servicer or for so long as each Loan is a Specially Serviced

Loan, the Special Servicer, as applicable, and such decree or order has remained in force undischarged or unstayed for a period of 60 days; provided, however, that, with respect to any such decree or order that cannot be discharged, dismissed or stayed within such 60 day period, the Servicer or for so long as each Loan is a Specially Serviced Loan, the Special Servicer, will have an additional period of 30 days to effect such discharge, dismissal or stay so long as it has commenced proceedings to have such decree or order dismissed, discharged or stayed within the initial 60 day period and has diligently pursued, and is continuing to pursue, such discharge, dismissal or stay;

- (d) it becomes unlawful for the Servicer or the Special Servicer to perform any material part of the services except in circumstances where no other person could perform such material part of the services lawfully; or
- (e) the Servicer or Special Servicer paying any part of its remuneration under the Servicing Agreement to any Noteholder in connection with securing its appointment as such.

Upon the occurrence of any Servicer Termination Event or Special Servicer Termination Event, the Issuer upon receiving a written notice from a responsible officer of the Note Trustee who has actual knowledge of the same will, publish notice of the same on the appropriate RIS as required by the relevant exchange where the Notes are then currently listed.

Controlling Class and Operating Advisor

The most junior Class of Notes outstanding shall be the "**Controlling Class**" if at the relevant time it meets the Controlling Class Test. A Class of Notes will meet the "**Controlling Class Test**" if it has not been repaid in full at such time and for which a Control Valuation Event is not continuing.

A "**Control Valuation Event**" will occur with respect to any class of Notes if and for so long as: (a) the difference between (1) the sum of (i) the then Principal Amount Outstanding of such class of Notes and (ii) the then Principal Amount Outstanding of all classes of Notes ranking junior to such class; and (2) the sum of (i) any Valuation Reduction Amounts with respect to the Loans; and (ii) without duplication, losses realised with respect to any enforcement of security in respect of the Properties, is less than (b) 25 per cent. of the then Principal Amount Outstanding of such class of Notes.

A "**Valuation Reduction Amount**" with respect to the Loans will be an amount equal to the excess of:

- (a) the aggregate outstanding principal balance of the Loans over
- (b) the excess of:
 - (i) 90 per cent. of the sum of the values set forth in the most recent valuation of the Properties excluding the values of any Properties no longer held by the Borrowers as at the testing date above
 - (ii) the sum of:
 - (A) all unpaid interest on the Loans;
 - (B) any other unpaid fees, expenses and other amounts that are payable prior to amounts payable to the Issuer under the Loans; and
 - (C) all currently due and unpaid ground rents and insurance premia and all other amounts due and unpaid with respect to the Loans.

If the most junior Class of Notes outstanding does not meet the Controlling Class Test, the next most junior Class of Notes outstanding that does meet the Controlling Class Test, will be the Controlling Class.

If no Class of Notes has a Principal Amount Outstanding that satisfies the Controlling Class Test then the Controlling Class will be the most senior class of Notes then outstanding. For the avoidance of doubt, the Principal Amount Outstanding of a Class of Notes for the purposes of calculating the Controlling Class Test shall be the Principal Amount Outstanding of such Class less any Valuation Reduction Amounts that have been applied to that Class.

The Servicer shall determine which Class of Notes meets the Controlling Class Test and shall notify the Issuer, the Note Trustee and the Issuer Security Trustee accordingly.

The Controlling Class will have the right, acting by Ordinary Resolution, to elect and appoint an advisor (the "**Operating Advisor**") to represent its interests and consult with the Servicer or the Special Servicer acting in relation to the Loans. The appointment of the Operating Advisor will be deemed effective upon written notification by the Controlling Class to the Note Trustee and the Issuer Security Trustee. The Operating Advisor will, subject to certain conditions being met, be entitled to require the Issuer to terminate the appointment of and replace the Special Servicer and will also have the right to be consulted with respect to certain matters relating to the servicing and enforcement of the Loans. See "*—Operating Advisor*" below.

Operating Advisor

Any Operating Advisor appointed by the Controlling Class will be entitled to require the Issuer to terminate the appointment of and replace the person then acting as the Special Servicer in relation to the Loans subject to certain limitations as set out in the Servicing Agreement, including:

- (a) no termination of the appointment of the Special Servicer will be effective until a qualified substitute special servicer will have been appointed and agreed to be bound by any relevant documents, such appointment to be effective not later than the date of termination; and
- (b) confirmation from the Rating Agencies that the then current ratings of the Notes will not be downgraded, withdrawn or qualified as a result thereof, unless the substitute special servicer have been approved by an Extraordinary Resolution of each Class of the Noteholders.

The requirement of the Rating Agencies to confirm in writing to the Note Trustee that their then current rating of the Notes will not be downgraded, withdrawn or qualified as a result of a substitution of the special servicer in accordance with the terms of the Servicing Agreement will be disappplied in respect of a Rating Agency if (i) that Rating Agency does not respond to a request to provide a Rating Agency Confirmation within 7 days after such request is made or (ii) that Rating Agency provides a waiver or acknowledgement indicating its decision not to review or otherwise declining to review such matter.

The Operating Advisor will also have the right to be consulted on certain matters relating to the servicing and enforcement of the Loans. The Servicer or, if at the relevant time any Loan is a Specially Serviced Loan, the Special Servicer must consult with and give prior notice to the Operating Advisor if it intends to take certain decisions in relation to the Loans or the Security, including:

- (a) to change the date on which any amount is due to be paid by a Borrower or the timing of any payment;
- (b) to amend any principal amount or the interest rate payable on the Loans;
- (c) to extend or bring forward (except in connection with an acceleration of any Loan) the Final Maturity Date;
- (d) to reduce or waive any amount due under the Facility Agreement including without limitation any interest, principal, prepayment fee, late payment charge or default interest;
- (e) to permit any Borrower to incur any further indebtedness, other than as permitted by the Finance Documents;
- (f) to change the currency of any payment due under the Facility Agreement;
- (g) to release any Borrower (or any other obligor obligated to provide security or make payment under the Facility Agreement) from any of its obligations under or in respect of the Finance Documents;
- (h) to release or substitute any part of the Transaction Security or any Property (other than in circumstances which are contemplated by the Facility Agreement);
- (i) to change the method of calculation of any payment;

- (j) to make an amendment to the Finance Documents not described above which the Servicer or, if at the relevant time any Loan is a Specially Serviced Loan the Special Servicer, considers to be material, other than the extension of the Loan Maturity Date to a date not later than the Loan Final Date; or
- (k) to commence formal enforcement proceedings in respect of the Loans or the Transaction Security, including the appointment of a receiver or administrator, the entering into of any agreement with respect to an insolvency administrator of the Borrowers in respect of the realisation of the Transaction Security or similar or analogous proceedings.

Following such notice, the Servicer or, as the case may be, the Special Servicer is not permitted to take the relevant action until the earlier of (a) the day falling five Business Days after the notice; and (b) the date on which the Operating Advisor confirms that the Servicer or Special Servicer may proceed in accordance with the proposals contained in such notice. If, prior to the day falling five Business Days after such notice, the Operating Advisor notifies the Servicer or the Special Servicer that it disapproves of the proposed course of action, it must suggest to the Servicer or Special Servicer, as applicable, alternative courses of action. Within five Business Days thereafter, the Servicer or the Special Servicer must submit to the Operating Advisor a revised proposal which must, to the extent that such proposals are not inconsistent with the Servicing Standard, incorporate the alternatives suggested by the Operating Advisor.

The Servicer or, as applicable, the Special Servicer must continue to revise its proposals in the manner described in the preceding paragraph until the earliest of:

- (a) the delivery by the Operating Advisor of an approval in writing of such revised proposal;
- (b) failure by the Operating Advisor to disapprove of such revised proposal in writing by the fifth Business Day after its delivery to the Operating Advisor; and
- (c) the passage of 30 days from the date of preparation of the first version of the proposal submitted by the Servicer or the Special Servicer (following which the Servicer or the Special Servicer (as applicable) may take such action as it deems appropriate acting in accordance with the Servicing Standard).

Notwithstanding any of the foregoing requirements, no right of an Operating Advisor to be consulted in connection with any Loan or to approve or disapprove of any action of the Servicer or the Special Servicer shall permit the Servicer or the Special Servicer to take any action or to refrain from taking any action which would cause the Servicer or Special Servicer to violate the Servicing Standard. Nor will the Servicer or the Special Servicer refrain from taking any action pending receipt of any proposals, if immediate action is necessary to comply with the Servicing Standard. The taking of any action prior to the receipt of the Operating Advisor's approval thereof or in a manner which is contrary to the directions of, or disapproved by, the Operating Advisor shall not constitute a breach by the Servicer or the Special Servicer of the Servicing Agreement so long as such action was required by the Servicing Standard. If, in order to comply with the requirements described in this paragraph, the Servicer or the Special Servicer takes action prior to receiving a response from the Operating Advisor and the Operating Advisor objects to such actions within five Business Days after being notified of such action and being provided with all reasonably requested information, the Servicer or, as the case may be, the Special Servicer must (subject always to the foregoing requirements described in this paragraph) take due account of the advice and representations made by the Operating Advisor regarding any further steps that should be taken.

Rights Upon Servicer and Special Servicer Termination Event; Replacement of Servicer and Special Servicer

If a Servicer Termination Event or Special Servicer Termination Event occurs then, and in each and every such case, so long as such Servicer Termination Event or Special Servicer Termination Event has not been remedied, either

- (a) the Issuer or, following delivery of a Note Acceleration Notice, the Issuer Security Trustee may, or

- (b) with respect to any of the following Servicer Termination Events or Special Servicer Termination Events:
- (i) an event under item (a) thereof, as set forth under "*Servicing Arrangements for the Loans— Termination for Cause of the Appointment of the Servicer or Special Servicer*"; or
 - (ii) any event under item (b) thereof, as set forth under "*Servicing Arrangements for the Loans— Termination for Cause of the Appointment of the Servicer or Special Servicer*" that relates to either: (1) the failure of the Servicer or for so long as each Loan is a Specially Serviced Loan, the Special Servicer, to provide the notices it is required to deliver in accordance with the terms of the Servicing Agreement, or (2) any failure of either the Servicer or for so long as each Loan is a Specially Serviced Loan, the Special Servicer to make any calculation required of it pursuant to the terms of the Servicing Agreement that results in a loss to any Noteholder,

if Noteholders of each Class pass an Ordinary Resolution directing it to do so, the Issuer Security Trustee will (subject to being indemnified and/or secured and/or prefunded to its satisfaction), terminate the appointment of the Servicer or the Special Servicer, as applicable, and all of the rights and obligations of the Servicer or the Special Servicer, as applicable, under the Servicing Agreement, other than rights and obligations which accrued prior to such termination and survive such termination in relation to the Loans and the proceeds of the Loans, by notice in writing to the Servicer, or, for so long as each Loan is a Specially Serviced Loan, the Special Servicer and the Issuer.

Upon any termination of the Servicer or the Special Servicer as applicable, or appointment of a replacement Servicer or replacement Special Servicer as applicable, the Issuer will, publish written notice of such termination on the applicable RIS based upon the rules for the exchange in which the Notes are listed.

On the termination of the appointment of the Servicer or the Special Servicer, the Issuer will, subject to certain conditions prescribed by the Servicing Agreement, appoint a substitute servicer or substitute special servicer, as the case may be.

Each of the Servicer and the Special Servicer may terminate its appointment upon not fewer than three months' notice to each of the Issuer, the Borrower Security Trustee, the Issuer Security Trustee, the Borrower Security Trustee, the Note Trustee and the Servicer or the Special Servicer (whichever is not giving notice).

No termination of the appointment of the Servicer or the Special Servicer, as applicable, will be effective until a qualified substitute servicer or substitute special servicer, as the case may be, will have been appointed and agreed to be bound by any relevant documents, such appointment to be effective not later than the date of termination, and **provided further that** the Rating Agencies have confirmed that the then current ratings of the Notes will not be downgraded, withdrawn or qualified as a result thereof, unless the replacement servicer or special servicer have been approved by an Extraordinary Resolution of each Class of the Noteholders.

Receivers

Pursuant to the Servicing Agreement, (at the cost of the Issuer) the Issuer has authorised the Special Servicer, as necessary, to give a receiver, administrative receiver, administrator or other similar insolvency office-holder appointed in respect of any Obligor or pursuant to any Transaction Security an indemnity on its behalf, **provided that**:

- (a) the indemnity is required by such person as a condition of its appointment or continued appointment and reasonable endeavours to appoint a suitably qualified and experienced replacement without the provision of such an indemnity have been taken by the Special Servicer;
- (b) the terms of any indemnity would be acceptable to a reasonably prudent lender of money secured on commercial property; and

- (c) the Special Servicer, shall use all commercially reasonable efforts to limit:
 - (i) the maximum amount of such indemnity; and
 - (ii) the period of time for which it is effective,
- to the lowest amount and the shortest time practicable in the circumstances.

Lender Appraisals

The Issuer has covenanted in the Servicing Agreement to the Note Trustee that if it is directed to do so by an Ordinary Resolution of the Noteholders that it will make a Majority Lender direction (provided it is the Majority Lender at that point in time) to the Facility Agent that the Facility Agent is to request a Lender Appraisal under the Facility Agreement, **provided at all times that** the Issuer shall be under no obligation to make such a Majority Lender direction and the Facility Agent shall be under no obligation to request a Lender Appraisal, if either the Issuer or the Facility Agent is not entitled to do so pursuant to the terms of the Facility Agreement.

General

Neither the Servicer nor the Special Servicer will be liable for any obligation of any Borrower or any other Obligor under the Facility Agreement or the Transaction Security, have any liability for the obligations of the Issuer under the Notes or the DACs or of the Issuer under documents to which it is a party or have any liability for the failure by the Issuer to make any payment due by it under the Notes or the DACs or any documents to which it is a party save as expressly provided under the Servicing Agreement.

YIELD, PREPAYMENT AND MATURITY CONSIDERATIONS OF THE NOTES

Yield

The yield to maturity on any Class of Notes will depend upon the price paid by the Noteholders, the interest rate thereof from time to time, the rate and timing of the distributions in reduction of the Principal Amount Outstanding of such Class and the rate, timing and severity of losses on the Loans, as well as prevailing interest rates at the time of payment or loss realisation.

The distributions of principal that Noteholders receive in respect of the Notes are derived from principal repayments on the Loans.

The rate of distributions of principal in reduction of the Principal Amount Outstanding of any Class of Notes, the aggregate amount of distributions in principal on any Class of Notes and the yield to maturity on any Class of Notes will be directly related to the rate of payments of principal on the Loans, the amount and timing of Borrower defaults and the severity of losses occurring upon a default.

Losses with respect to the Loans may occur in connection with a default on the Loans and/or the liquidation of all or part of the Properties.

Noteholders will only receive distributions of principal or interest when due to the extent that the related payments under the Loans are actually received or, in the case of interest, sufficient Liquidity Drawings are available under the Liquidity Facility Agreement. Consequently, any defaulted payment for which drawings cannot be made under the Liquidity Facility Agreement, will, to the extent of the principal portion thereof, tend to extend the weighted average lives of the Notes.

The rate of payments (including voluntary and involuntary prepayments) on each Loan is influenced by a variety of economic, geographic, social and other factors, including the level of interest rates, the amount of prior refinancing effected by the Borrowers and the rate at which the Borrowers default on the Loans. The terms of the Loans and, in particular, the extent to which any Borrower is entitled to prepay a Loan, the ability of the Borrowers to realise income from the Properties in excess of that required to meet scheduled payments of interest on the Loans, the obligation of the Borrowers to ensure that certain debt service coverage tests are met as a condition to the disposal of the Properties, the risk of compulsory purchase of the Properties and the risk that payments by the Borrowers may become subject to tax or result in an increased cost for the Issuer may affect the rate of principal payments on the Loans and, consequently, the yield to maturity of the Classes of Notes.

No representation is made as to the rate of principal payments on the Loans or as to the yield to maturity of any Class of Notes. An investor is urged to make an investment decision with respect to any Class of Notes based on the anticipated yield to maturity of such Class of Notes resulting from its purchase price and such investor's own determination as to anticipated prepayment rates in respect of the Loans under a variety of scenarios. The extent to which any Class of Notes is purchased at a discount or a premium and the degree to which the timing of payments on such Class of Notes is sensitive to prepayments will determine the extent to which the yield to maturity of such Class of Notes may vary from the anticipated yield.

Weighted Average Life of the Notes

The weighted average life of a Note refers to the average amount of time that will elapse from the date of its issuance until each Euro allocable to principal of such Note is distributed to the investor. For the purposes of this Prospectus, the weighted average life of a Note is determined by (a) multiplying the amount of each principal distribution thereon by the number of years from the Closing Date to the related Note Payment Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the reductions in the Principal Amount Outstanding of such Note. Accordingly, the weighted average life of any such Note will be influenced by, among other things, the rate at which principal of each Loan is a paid or otherwise collected or advanced and the extent to which such payments, collections or advances of principal are in turn applied in reduction of the Principal Amount Outstanding of the Class of Notes to which such Note belongs.

For the purposes of preparing the following tables, it was assumed that:

- (i) no prepayments are made on the Loans pursuant to the Facility Agreement (with the exception of scenario "S2" below);
- (ii) only scheduled Repayment Instalments are received on the Loans pursuant to the Facility Agreement;
- (iii) no Default occurs under the Loans pursuant to the Facility Agreement;
- (iv) repayment of the Loans is made at the Final Repayment Date pursuant to the Facility Agreement; and
- (v) the first Loan Interest Payment Date will have occurred by the Closing Date.

"**Repayment Instalment**" means on any date, such amount of the Loans as is required to be repaid on that date under Clause 6.1 (*Repayment of Instalments*) of the Facility Agreement.

"**Final Repayment Date**" means the Loan Interest Payment Date immediately following the fifth (5th) anniversary of the First Utilisation Date of the Loans or, if that anniversary is not a Business Day, the immediately preceding Business Day or, if the Extension Option is exercised, the Loan Interest Payment Date immediately following the sixth (6th) anniversary of the First Utilisation Date of the Loans or, if that anniversary is not a Business Day, the immediately preceding Business Day.

Assumptions (i) through (iv) above are collectively referred to as, the "**Modelling Assumptions**".

The following table displays three scenarios:

S1 : The repayment of the Loans occurs on the Expected Maturity Date.

S2: The repayment of the Loans occurs 6 months prior to the Expected Maturity Date.

S3: The Borrowers exercise the option to extend the Loans by one year and repay the Loans one year after the Expected Maturity Date.

Weighted Average Life in Years

Class of Notes	S1	S2	S3
Class A Notes	4.88	4.40	5.83
Class B Notes.....	4.88	4.40	5.83
Class C Notes.....	4.88	4.40	5.83
Class D Notes	4.88	4.40	5.83
Class E Notes	4.88	4.40	5.83

THE NOTES

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect, and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Note Trustee, the Issuer Security Trustee, BofAML or any Agent party to the Agency Agreement (or any affiliate of any of the above, or any person by whom any of the above is controlled) will have any responsibility for the performance by the Clearing Systems or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.

General

The issue of the Notes will be authorised by a resolution of the board of directors of the Issuer passed on or prior to the date of the issue of the Notes. The Notes will be constituted by a Note Trust Deed dated the Closing Date, between the Issuer and the Note Trustee, as trustee for, among others, the holders for the time being of the Notes. The Note Trust Deed includes provisions which enable it to be modified or supplemented and any reference to the Note Trust Deed is a reference also to the document as modified or supplemented in accordance with its terms.

The statements set out below include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, which will contain the forms of the Global Notes and the Definitive Notes. The Issuer has entered into the Agency Agreement (see "*Terms and Conditions of the Notes*" below) which will regulate how payments will be made on all Notes and how determinations and notifications will be made. It will be dated on or about the Closing Date.

Investors in the notes will be entitled to the benefit of, will be bound by and will be deemed to have notice of, all the provisions of the Note Trust Deed and the Agency Agreement. Investors can see copies of these agreements at the principal office for the time being of the Note Trustee, which is, as of the date of this Prospectus, 125 Old Broad Street, London EC2N 1AR, and at the office for the time being of the Principal Paying Agent.

Form of notes

Each Class of Notes shall be initially represented by a Temporary Global Note (i) in the case of the Class A Notes, in the principal amount of €710,000,000, (ii) in the case of the Class B Notes, in the principal amount of €130,000,000, (iii) in the case of the Class C Notes, in the principal amount of €120,000,000, (iv) in the case of the Class D Notes, in the principal amount of €95,000,000 and (v) in the case of the Class E Notes, in the principal amount of €19,800,000. Each Temporary Global Note will be deposited on or around the Closing Date with the Common Safekeeper for Euroclear and Clearstream, Luxembourg.

The Notes will be issued in new global note ("**NGN**") form. On 13 June 2006 the European Central Bank (the "**ECB**") announced that Notes in NGN form are in compliance with the "Standards for the use of EU securities settlement systems in ESCB credit operations" of the central banking system for the euro (the "**Eurosystem**"), provided that certain other criteria are fulfilled. At the same time the ECB also announced that arrangements for Notes in NGN form will be offered by Euroclear and Clearstream, Luxembourg as of 30 June 2006 and that debt securities in global bearer form issued through Euroclear and Clearstream, Luxembourg after 31 December 2006 will only be eligible as collateral for Eurosystem operations if the NGN form is used. The Euro Notes are intended to be held in a manner which would allow Eurosystem eligibility that is, in a manner which would allow the Notes to be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

Upon confirmation by the relevant Common Safekeeper that it has custody of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Temporary Global Notes ("**Book Entry Interests**") representing beneficial interests in the Notes attributable thereto the notional amount credited will be the Principal Amount Outstanding from time to time of the Class A Notes).

Interests in each Temporary Global Note will be exchangeable (provided certification of non U.S. beneficial ownership by the Noteholders has been received ("**Certification**") not earlier than forty (40) days after the issue date of the Notes (the "**Exchange Date**") for interests in a Permanent Global Note in bearer form, in the principal amount of the Notes of the relevant Class. No payments of principal, interest or any other amounts payable in respect of the Notes 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.

Book Entry Interests in respect of the Notes are recorded in denominations of €100,000 and integral multiples of €1,000 in excess thereof (each, an "**Authorised Denomination**"). Ownership of Book Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Book Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book Entry Interests beneficially owned by such Participants on each of their respective book entry registration and transfer systems. The accounts initially credited will be designated by the Joint Lead Managers. Ownership of Book Entry Interests will be shown on, and transfers of Book Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of its Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book Entry Interests.

Except as set forth under "*Issuance of Definitive Notes*", below, Participants or Indirect Participants will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the holders thereof under the Note Trust Deed. Accordingly, each person holding a Book Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book Entry Interests, to exercise any rights and obligations of a holder of Notes under the Note Trust Deed. See "*Action in Respect of the Global Notes and the Book Entry Interests*", below.

Unlike legal owners or holders of the Notes, holders of the Book Entry Interests will not have the right under the Note Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from Noteholders. Instead, a holder of Book Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream, Luxembourg, and, if applicable, its Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of a Note Event of Default, holders of Book Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Notes are issued in accordance with the Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Note Trust Deed.

Unless and until Book Entry Interests are exchanged for Definitive Notes, the Notes held by the relevant Common Safekeeper may not be transferred except as a whole by that Common Safekeeper to a successor of the Common Safekeeper.

Purchasers of Book Entry Interests in a Note will hold Book Entry Interests in the Note relating thereto. Investors may hold their Book Entry Interests in respect of a Note directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth in the section entitled "*Transfers and Transfer Restrictions*", below), if they are account holders in such system, or indirectly through organisations which are account holders in such system. Euroclear and Clearstream, Luxembourg will hold Book Entry Interests in each Note on behalf of its account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream Luxembourg's respective book entry registration and transfer system.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book Entry Interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Joint Lead Managers, the Arranger, the Note Trustee, the Issuer Security Trustee or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective Participants or account holders of their respective obligations under the rules and procedures governing its operations.

Issuance of Definitive Notes

Each of the Class A Permanent Global Note, the Class B Permanent Global Note, the Class C Permanent Global Note, the Class D Permanent Global Note and the Class E Permanent Global Note will become exchangeable in whole, but not in part, for Definitive Notes in denominations of €100,000, or above €100,000 in increments of €1,000 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 either of the following events (each, an "**Exchange Event**") occurs:

- (a) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no alternative clearing system satisfactory to the Note Trustee is then in existence; or
- (b) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration by a revenue authority or a court or in the administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form.

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 (as defined in the Conditions) attached, in an aggregate principal amount equal to the principal amount 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 (as defined in the Conditions) of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

Terms and Conditions applicable to the Notes

The terms and conditions applicable to any Definitive Note will be endorsed on that Definitive Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" below.

The terms and conditions applicable to any Global Note will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

Summary of Provisions Relating to the Notes while in Global Form

Conditions applicable to Global Notes

Each Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Global Note. The following is a summary of certain of those provisions:

Payment Business Day: In the case of a Global Note means a Business Day and, if the currency of payment is euro and any day which is a TARGET Day; or, if the currency of payment is not euro, a Business Day.

The Clearing Systems

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of Euroclear or Clearstream, Luxembourg currently in effect and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of

the rules, regulations and procedures of the relevant Clearing System. None of the Arranger, Issuer, Issuer Security Trustee, the Joint Lead Managers, the Note Trustee, any Paying Agent, the Agent Bank or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by the Clearing Systems or their respective direct and indirect participants or accountholders of their respective obligations under the rules and procedures governing its operations or for the sufficiency for any purpose of the arrangements described below.

Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of securities.

Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.

Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.

Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of its system.

An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer, the Note Trustee or the Issuer Security Trustee requests any action of owners of Book Entry Interests or if an owner of a Book Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Note Trust Deed or the Issuer Deed of Charge, Euroclear or Clearstream, Luxembourg would authorise the Participants owning the relevant Book Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Payments on Global Notes

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.

Each holder of Book Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the relevant Common Safekeeper or its nominee in respect of those Book Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Principal Paying Agent nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg after receipt of any payment from the Principal Paying Agent to the relevant Common Safekeeper, its systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. The Issuer expects that payments by Participants to owners of

interests in Book Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Joint Lead Managers, the Arranger, the Note Trustee or the Issuer Security Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book Entry Interests.

Clearstream, Luxembourg

Clearstream, Luxembourg is incorporated under the laws of Luxembourg as a professional registrar. Clearstream, Luxembourg holds securities for its participating organisations and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg participants through electronic book entry changes in accounts of Clearstream, Luxembourg participants, thereby eliminating the need for physical movement of notes. Transactions may be settled in Clearstream, Luxembourg in any of 38 currencies, including the Euro.

Clearstream, Luxembourg participants are financial institutions around the world, including dealers, securities brokers and dealers, banks, trust companies, and clearing corporations. Indirect access to Clearstream, Luxembourg is also available to others, including banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream, Luxembourg participant, either directly or indirectly.

Euroclear

The Euroclear system was created in 1968 to hold securities for its participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book entry delivery against payment. This eliminates the need for physical movement of certificates. Transactions may be settled in any of 32 currencies, including the Euro.

The Euroclear system is operated by Morgan Guaranty Trust Company of New York, Brussels office, the Euroclear operator, under contract with Euroclear Clearance System, Société Cooperative, a Belgian co operative corporation, the Euroclear co operative. All operations are conducted by the Euroclear operator. All Euroclear securities clearance accounts and Euroclear cash accounts are accounts with the Euroclear operator, not the Euroclear co operative. The board of the Euroclear co operative establishes policy for the Euroclear system.

Euroclear participants include banks — including central banks — securities brokers and dealers and other professional financial intermediaries. Indirect access to the Euroclear system is also available to other firms that maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear operator are governed by the Terms and Conditions Governing Use of Euroclear and the related operating procedures of the Euroclear system. These terms and conditions govern transfers of securities and cash within the Euroclear system, withdrawal of securities and cash from the Euroclear system, and receipts of payments for securities in the Euroclear system. All securities in the Euroclear system are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear operator acts under these terms and conditions only on behalf of Euroclear participants and has no record of or relationship with persons holding through Euroclear participants.

Redemption

In the event that any Global Note (or portion thereof) is redeemed, the Principal Paying Agent will deliver all amounts received by it in respect of the redemption of such Global Note to the nominee of the relevant Common Safekeeper and, upon final payment, will surrender such Global Note (or portion thereof) to or to the order of the Issuer for cancellation. The redemption price payable in connection with the redemption of Book Entry Interests will be equal to the amount received by the Principal Paying Agent in connection with the redemption of the Note (or portion thereof) relating thereto. For any redemptions of a Note in part, selection of the relevant Book Entry Interest relating thereto to be redeemed will be made by Euroclear or Clearstream, Luxembourg, as the case may be, on a *pro rata* basis (or on such basis as

Euroclear or Clearstream, Luxembourg, as the case may be, deems fair and appropriate). Upon any redemption in part, the Principal Paying Agent will mark down the schedule to such Global Note by the principal amount so redeemed.

Cancellation

Cancellation of any Note represented by a Global Note and required by the Conditions to be cancelled following its redemption will be effected by endorsement by or on behalf of the Principal Paying Agent of the reduction in the principal amount of the relevant Global Note on the relevant schedule thereto.

Transfers and Transfer Restrictions

All transfers of Book Entry Interests will be recorded in accordance with the book entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by its system and its Participants (see the section entitled "- *General*" above).

Title to the Global Notes and any definitive notes, receipts, coupons and talons issued in respect thereof, will pass by delivery. No Permanent Global Note will be exchangeable for Definitive Notes, except in the limited circumstances described herein.

Action in Respect of the Global Notes and the Book Entry Interests

Not later than 10 days after receipt by the Issuer of any notice in respect of the Notes or any notice of solicitation of consents or requests for a waiver or other action by the holder of the Notes, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book Entry Interests or the Notes and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book Entry Interests or the Notes in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under the section entitled "- *General*" above, with respect to soliciting instructions from their respective Participants.

Notices

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the Notes or the Book Entry Interests. In addition, if the Notes are no longer held in the clearing system notices regarding the Notes will be published in a leading newspaper having a general circulation in London (which so long as the Notes are listed on the Irish Stock Exchange and the rules of such Stock Exchange shall so require, is expected to be the Irish Times) and so long as the Notes are listed on a recognised stock exchange, by delivery in accordance with the notice requirements of that exchange. (see also Condition 17 (*Notice to and Communication Between Noteholders*) of the Notes).

THE DEFERRED ARRANGEMENT FEE CERTIFICATE

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect, and investors wishing to use the facilities of any of the Clearing Systems are therefore advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. None of the Issuer, the Note Trustee, the Issuer Security Trustee, BofAML or any Agent party to the Agency Agreement (or any affiliate of any of the above, or any person by whom any of the above is controlled) will have any responsibility for the performance by the Clearing Systems or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described below.

General

The DACs, as at the Closing Date, will be represented by a "**Global Deferred Arrangement Fee Certificate**". The Global Deferred Arrangement Fee Certificate will be registered on issue on or around the Closing Date in the name of a nominee for a common depository (the "**Common Depository**") for Euroclear Bank SA / NV ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). The "**Registrar**" will maintain a register in which it will register the nominee for the Common Depository as the holder of the Global Deferred Arrangement Fee Certificate.

Upon confirmation by the Common Depository that it has been issued with the Global Deferred Arrangement Fee Certificate, Euroclear or Clearstream, Luxembourg, as the case may be, will record the beneficial interests in the Global Deferred Arrangement Fee Certificate ("**Book Entry Interests**") representing beneficial interests in the DACs attributable thereto.

Ownership of Book Entry Interests will be limited to persons that have accounts with Euroclear or Clearstream, Luxembourg ("**Participants**") or persons that hold interests in the Book Entry Interests through Participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with Euroclear or Clearstream, Luxembourg, either directly or indirectly. Indirect Participants will also include persons that hold beneficial interests through such Indirect Participants. Book Entry Interests will not be held in definitive form. Instead, Euroclear and Clearstream, Luxembourg, as applicable, will credit the Participants' accounts with the respective Book Entry Interests beneficially owned by such Participants on each of their respective book entry registration and transfer systems. The accounts initially credited will be designated by the Joint Lead Managers. Ownership of Book Entry Interests will be shown on, and transfers of Book Entry Interests or the interests therein will be effected only through, records maintained by Euroclear or Clearstream, Luxembourg (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of Indirect Participants). The laws of some jurisdictions or other applicable rules may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may therefore impair the ability to own, transfer or pledge Book Entry Interests.

So long as the nominee of the Common Depository is the registered holder of the Global Deferred Arrangement Fee Certificate underlying the Book Entry Interests, it will be considered the sole DACs holder of the DACs represented by that Global Deferred Arrangement Fee Certificate for all purposes under the Note Trust Deed. Except as set forth under "*Description of the Global Deferred Arrangement Fee Certificate – Issuance of Definitive Deferred Arrangement Fee Certificates*", below, Participants or Indirect Participants will not receive or be entitled to receive physical delivery of DACs in definitive form and will not be considered the holders thereof under the Note Trust Deed. Accordingly, each person holding a Book Entry Interest must rely on the rules and procedures of Euroclear or Clearstream, Luxembourg, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Book Entry Interests, to exercise any rights and obligations of a holder of DACs under the Note Trust Deed. See "*Description of the Global Deferred Arrangement Fee Certificate – Action in Respect of the Global Deferred Arrangement Fee Certificate and the Book Entry Interests*", below.

Unlike legal owners or holders of the DACs, holders of the Book Entry Interests will not have the right under the Note Trust Deed to act upon solicitations by the Issuer or consents or requests by the Issuer for waivers or other actions from DACs holders. Instead, a holder of Book Entry Interests will be permitted to act only to the extent it has received appropriate proxies to do so from Euroclear or Clearstream,

Luxembourg, as the case may be, and, if applicable, their Participants. There can be no assurance that procedures implemented for the granting of such proxies will be sufficient to enable holders of Book Entry Interests to vote on any requested actions on a timely basis. Similarly, upon the occurrence of an Event of Default, holders of Book Entry Interests will be restricted to acting through Euroclear or Clearstream, Luxembourg unless and until Definitive Deferred Arrangement Fee Certificates are issued in accordance with the DACs Conditions. There can be no assurance that the procedures to be implemented by Euroclear and Clearstream, Luxembourg under such circumstances will be adequate to ensure the timely exercise of remedies under the Note Trust Deed.

Unless and until Book Entry Interests are exchanged for Definitive Deferred Arrangement Fee Certificates, the DACs held by the nominee for the Common Depositary may not be transferred except as a whole by that nominee for the Common Depositary to a successor nominee for that Common Depositary or a nominee of a successor of the Common Depositary.

Purchasers of Book Entry Interests in a DAC will hold Book Entry Interests in the DACs relating thereto. Investors may hold their Book Entry Interests in respect of a DAC directly through Euroclear or Clearstream, Luxembourg (in accordance with the provisions set forth in the section entitled "*Transfers and Transfer Restrictions*", below), if they are account holders in such systems, or indirectly through organisations which are account holders in such systems. Euroclear and Clearstream, Luxembourg will hold Book Entry Interests in each DAC on behalf of their account holders through securities accounts in the respective account holders' names on Euroclear's and Clearstream, Luxembourg's respective book entry registration and transfer systems.

Although Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of Book Entry Interests among account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Arranger, the Joint Lead Manager, the Note Trustee, the Issuer Security Trustee or any of their respective agents will have any responsibility for the performance by Euroclear or Clearstream, Luxembourg or their respective Participants or account holders of their respective obligations under the rules and procedures governing their operations.

Issuance of Definitive Deferred Arrangement Fee Certificates

If, while any of the DACs are represented by a Global Deferred Arrangement Fee Certificate: (i) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence, or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which change becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Payment Date be required to make any deduction or withholding from any payment in respect of such DACs which would not be required were such DACs in definitive form, or (iii) the Issuer provides written notice to the Common Depositary five Business Days prior to the first Note Payment Date that it has not received from Her Majesty's Revenue and Customs confirmation (in form and substance satisfactory to the Issuer) that it will be entitled to make payments on the DACs without being required to deduct an amount of United Kingdom income tax, then the Issuer will issue "**Definitive Deferred Arrangement Fee Certificates**" in respect of the DACs and the whole outstanding interest in the Global Deferred Arrangement Fee Certificate will be cancelled (A), in relation to (i) and (ii) above, on the day falling 30 days after the occurrence of the relevant event; and (B), in relation to (iii), two Business Days before the First Note Payment Date (the "**DAC Exchange Event**").

Any Definitive Deferred Arrangement Fee Certificates issued in exchange for Book-Entry Interests in the Global Deferred Arrangement Fee Certificate will be registered by the Registrar in such name or names as the Issuer shall instruct the Principal Paying Agent based on the instructions of Euroclear or Clearstream, Luxembourg, as the case may be. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, Luxembourg from their Participants with respect to ownership of the relevant Book-Entry Interests. Whenever a Global Deferred Arrangement Fee Certificate is to be exchanged for Definitive Deferred Arrangement Fee Certificates, the Issuer shall procure the prompt delivery (free of charge to the holders of the Book-Entry Interests) of such Definitive Deferred Arrangement Fee Certificates, duly authenticated, in an aggregate principal amount equal to the

principal amount of the relevant Global Deferred Arrangement Fee Certificate, and will cancel the Global Deferred Arrangement Fee Certificate, within the relevant time of the occurrence of the DAC Exchange Event.

Payments on Global Deferred Arrangement Fee Certificate

Payment of amounts due in respect of the Global Deferred Arrangement Fee Certificate will be made in Euro by or to the order of the Principal Paying Agent on behalf of the Issuer to the order of the Common Depositary or its nominee as the registered holder thereof with respect to the Global Deferred Arrangement Fee Certificate.

Each holder of Book Entry Interests must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of any amounts paid by or on behalf of the Issuer to the order of the Common Depositary or its nominee in respect of those Book Entry Interests. All such payments will be distributed without deduction or withholding for any taxes, duties, assessments or other governmental charges of whatever nature except as may be required by law. If any such deduction or withholding is required to be made, then neither the Issuer, the Principal Paying Agent nor any other person will be obliged to pay additional amounts in respect thereof.

In accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment from the Principal Paying Agent to the Common Depositary, the respective systems will promptly credit their Participants' accounts with payments in amounts proportionate to their respective ownership of Book Entry Interests as shown in the records of Euroclear or Clearstream, Luxembourg. On each record date (the "**Record Date**") Euroclear and Clearstream, Luxembourg will determine the identity of the Participants for the purposes of making payments under the DACs. The Record Date in respect of the DACs shall be as at the close of business on the Business Day prior to the relevant Note Payment Date. The Issuer expects that payments by Participants to owners of interests in Book Entry Interests held through such Participants or Indirect Participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants or Indirect Participants. None of the Issuer, any agent of the Issuer, the Arranger, the Joint Lead Managers, the Issuer Security Trustee or the Note Trustee will have any responsibility or liability for any aspect of the records relating to or payments made on account of a Participant's ownership of Book Entry Interests or for maintaining, supervising or reviewing any records relating to a Participant's ownership of Book Entry Interests.

Information Regarding Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows:

- Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book entry transfer between their respective account holders, thereby eliminating the need for physical movements of DACs and any risk from lack of simultaneous transfers of securities.
- Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing.
- Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depositary and custodial relationships. The respective systems of Euroclear and of Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other.
- Account holders in both Euroclear and Clearstream, Luxembourg are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system.

- An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

The Issuer understands that under existing industry practices, if any of the Issuer or the Note Trustee requests any action of owners of Book Entry Interests or if an owner of a Book Entry Interest desires to give instructions or take any action that a holder is entitled to give or take under the Note Trust Deed or the Issuer Deed of Charge, Euroclear or Clearstream, Luxembourg as the case may be, would authorise the Participants owning the relevant Book Entry Interests to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

Transfers and Transfer Restrictions

All transfers of Book Entry Interests will be recorded in accordance with the book entry systems maintained by Euroclear or Clearstream, Luxembourg, as applicable, pursuant to customary procedures established by each respective system and its Participants (see the section entitled "**Description of the Global Deferred Arrangement Fee Certificate – General**" above).

Beneficial interests in the Global Deferred Arrangement Fee Certificate may be held only through Euroclear or Clearstream, Luxembourg. The Global Deferred Arrangement Fee Certificate will bear a legend similar to that appearing under "*Transfer Restrictions*" below, and neither the Global Deferred Arrangement Fee Certificate nor any beneficial interest therein may be transferred except in compliance with the transfer restrictions set forth in the legend appearing in the Global Deferred Arrangement Fee Certificate.

Action in Respect of the Global Deferred Arrangement Fee Certificate and the Book Entry Interests

Not later than 10 days after receipt by the Issuer of any notice in respect of the DACs or any notice of solicitation of consents or requests for a waiver or other action by the holder of the DACs, the Issuer will deliver to Euroclear and Clearstream, Luxembourg a notice containing (a) such information as is contained in such notice, (b) a statement that at the close of business on a specified record date Euroclear and Clearstream, Luxembourg will be entitled to instruct the Issuer as to the consent, waiver or other action, if any, pertaining to the Book Entry Interests or the DACs and (c) a statement as to the manner in which such instructions may be given. Upon the written request of Euroclear or Clearstream, Luxembourg, as applicable, the Issuer shall endeavour insofar as practicable to take such action regarding the requested consent, waiver or other action in respect of the Book Entry Interests or the DACs in accordance with any instructions set forth in such request. Euroclear or Clearstream, Luxembourg are expected to follow the procedures described under the section entitled "*Description of the Global Deferred Arrangement Fee Certificate – General*" above, with respect to soliciting instructions from their respective Participants.

Notices

The Issuer will send to Euroclear and Clearstream, Luxembourg a copy of any notices, reports and other communications received relating to the Issuer, the DACs or the Book Entry Interests and shall procure that the information contained in such notice shall appear on a Relevant Screen (see also DACs Condition 14 (*Notice to and Communication between DACs holders*)).

NOTE TRUST DEED AND THE ISSUER DEED OF CHARGE

The Issuer and the Note Trustee will enter into the Note Trust Deed on the Closing Date. The Note Trust Deed will contain the forms of the Notes of each Class and the form of the DACs. Under the Note Trust Deed, the Issuer will covenant to the Note Trustee to pay all amounts due under the Notes and the DACs. The Note Trustee will hold the benefit of the Issuer's covenant to pay on trust for the Noteholders and the DACs holders.

The Issuer, the Issuer Security Trustee and the other Issuer Secured Creditors will enter into an Issuer Deed of Charge on the Closing Date pursuant to which the Issuer will grant certain security to be held by the Issuer Security Trustee on trust for the benefit of itself and the other Issuer Secured Creditors (including the Noteholders and the DACs holders).

Conflicts / Relationship with Noteholders and DACs holders

The Note Trust Deed will provide that, except where expressly provided otherwise, where the Note Trustee is required to have regard to the interests of the Noteholders, the Note Trustee shall have regard to the interests of all the Noteholders equally as a Class, **provided that** the Note Trustee shall have regard:

- (i) for so long as there are any Class A Notes outstanding, only to the interests of the Class A Noteholders and the DACs holders (and if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class A Noteholders and the DACs holders, only to the interests of the Class A Noteholders) if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class A Noteholders and the DACs holders and the interests of the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders;
- (ii) if there are no Class A Notes outstanding, for so long as there are any Class B Notes outstanding, only to the interests of the Class B Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class B Noteholders and the interests of the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders;
- (iii) if there are no Class A Notes and no Class B Notes outstanding, for so long as there are any Class C Notes outstanding, only to the interests of the Class C Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class C Noteholders and/or the Class D Noteholders and/or the Class E Noteholders; and
- (iv) if there are no Class A Notes and no Class B Notes and no Class C Notes outstanding, for so long as there are any Class D Notes outstanding, only to the interests of the Class D Noteholders if, in the Note Trustee's opinion, there is or may be a conflict between the interests of the Class D Noteholders and the interests of the Class E Noteholders.

The Note Trust Deed will also provide that an Extraordinary Resolution of the Class A Noteholders will be binding on the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders irrespective of the effect upon them, other than in respect of a Basic Terms Modification which requires an Extraordinary Resolution of each Class of Notes then outstanding.

The Note Trustee shall not be bound to take any action in relation to the Notes, the DACs or the Transaction Documents, including delivering a Note Acceleration Notice or instructing the Issuer Security Trustee to deliver a Note Acceleration Notice, unless (subject to being indemnified and/or secured and/or prefunded to its satisfaction) it has been directed to do so either by an Extraordinary Resolution of the Class A Noteholders, or if there are no Class A Notes then outstanding, an Extraordinary Resolution of the Class B Noteholders, or if there are no Class B Notes then outstanding, an Extraordinary Resolution of the Class C Noteholders, or if there are no Class C Notes then outstanding, an Extraordinary Resolution of the Class D Noteholders, or if there are no Class D Notes then outstanding, an Extraordinary Resolution of the Class E Noteholders or in writing by the holders of more than 25 per cent. of the Principal Amount Outstanding of the Class A Notes, or if the Class A Notes have been redeemed in full, more than 25 per cent. of the Principal Amount Outstanding of the Class B Notes, or if the Class B Notes have been redeemed in full, more than 25 per cent. of the Principal Amount Outstanding of the Class C Notes, or if the Class C Notes have been redeemed in full, more than 25 per cent.

cent. of the Principal Amount Outstanding of the Class D Notes or if the Class D Notes have not been redeemed in full, more than 25 per cent. of the Principal Amount Outstanding of the Class E Notes.

The DACs will have no voting rights. The Note Trustee will be obliged to have regard to the interests of the Noteholders and the DACs holders when exercising any of its powers, duties, rights, discretions and authorities, save that (other than as stated below), where the Note Trustee is of the opinion that there is or may be a conflict between the interests of the Noteholders and the DACs holders, the Note Trustee will only be obliged to have regard to the interests of the Noteholders. However, at no time shall the Issuer and/or the Note Trustee be permitted to amend the DACs Conditions or alter the position of the DACs in the relevant Priorities of Payment.

Where the Note Trust Deed (including, for the avoidance of doubt, the Conditions) provides that the Noteholders may direct the Note Trustee to act, either by an Extraordinary Resolution or by notice in writing of more than 25 per cent. of such Class, the reference to the Notes shall mean:

- (a) in relation to a direction to give a Note Acceleration Notice or to instruct the Note Trustee to instruct the Issuer Security Trustee to give a Note Acceleration Notice or to waive or authorise any Note Event of Default or to determine that any Note Event of Default shall not be treated as such, the Notes of all Classes;
- (b) subject to (a) above, in relation to a matter which, in the sole opinion of the Note Trustee, affects the interests of the holders of the Notes of only one Class, a single direction of the holders of the Notes of that Class;
- (c) subject to (a) above, in relation to a matter which, in the sole opinion of the Note Trustee, affects the interests of the holders of the Notes of more than one Class but does not give rise to a conflict of interest between holders of the Notes of any of the Classes so affected, a single direction of the Notes of all the Classes so affected; and
- (d) subject to (a) above, in relation to a matter which, in the sole opinion of the Note Trustee, affects the interests of the holders of the Notes of more than one Class and gives or may give rise to a conflict of interest between the holders of any of the Classes of the Notes so affected, separate directions of the holders of the Notes of each Class so affected.

Pursuant to the Issuer Deed of Charge, except where expressly provided otherwise, the Issuer Security Trustee will not be bound to take any action under or in connection with any of the Transaction Documents, including, without limitation, enforcing the Issuer Security, unless directed to do so in writing by the Note Trustee or, if there are no Notes outstanding, all of the other Issuer Secured Creditors.

Neither the Note Trustee nor the Issuer Security Trustee is obliged to take any action unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

Modification and waiver

The Note Trust Deed will provide that, without the consent of any of the Noteholders or the DACs holders, the Note Trustee may:

- (i) agree with the Issuer and/or any other person, or direct the Issuer Security Trustee to agree with the Issuer or any other person, in making any amendment or modification to the Conditions, the DACs Conditions or the Issuer Transaction Documents;
- (ii) (including a Basic Terms Modification) which in the opinion of the Note Trustee is made to correct a manifest error, or to comply with mandatory provisions of law, or is of a formal, minor or technical nature; or
- (iii) (other than a Basic Terms Modification) which is, in the opinion of the Note Trustee, not materially prejudicial to the interests of the Noteholders of any Class;
- (iv) waive or authorise, or direct the Issuer Security Trustee to waive or authorise, any actual or proposed breach by the Issuer of any Issuer Transaction Document, if in the Note Trustee's sole opinion, the interests of the Noteholders of each Class will not be materially prejudiced thereby; and

- (v) determine that any Note Event of Default shall not be treated as such, if in the Note Trustee's sole opinion, the interests of the Noteholders of each Class will not be materially prejudiced thereby,

provided always that the Note Trustee shall not exercise any powers under paragraphs (i) or (ii) in contravention of any express direction given by an Extraordinary Resolution, or by a request in writing of the holders of more than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding (but no such direction or request shall affect any modification, waiver, authorisation or determination previously given or made).

Any such modification, amendment, waiver, authorisation or determination will be binding on the Noteholders and if the Note Trustee so requires, shall be notified by the Issuer to the Noteholders, the DACs holders and the Rating Agencies in accordance with Condition 17 (*Notice to and Communication Between Noteholders*) and DACs Condition 14 (*Notice to and Communication Between DACs holders*) as soon as practicable thereafter.

Fees and expenses

The Issuer will reimburse the Note Trustee and the Issuer Security Trustee for all costs and expenses properly incurred in acting as, respectively, Note Trustee and Issuer Security Trustee. In addition, the Issuer shall pay to each of the Note Trustee and the Issuer Security Trustee a fee of such amount and on such dates as will be agreed from time to time by the Note Trustee and the Issuer Security Trustee, respectively, and the Issuer.

Retirement and removal

Each of the Note Trustee and the Issuer Security Trustee may retire after giving not less than 90 days' notice in writing to the Issuer. The Noteholders may by an Extraordinary Resolution of the Most Senior Class of Noteholders remove the Note Trustee or the Issuer Security Trustee.

The retirement or removal of any Note Trustee or Issuer Security Trustee shall not become effective unless there remains at least one trustee under the Note Trust Deed or the Issuer Deed of Charge, as the case may be, and the Issuer will covenant in each of the Note Trust Deed and the Issuer Deed of Charge to use its best endeavours to procure the appointment of a new Note Trustee or new Issuer Security Trustee, as the case may be, as soon as reasonably practicable after the resignation or removal of the existing Note Trustee or Issuer Security Trustee. If within 30 days of having given notice of its intention to retire, the Issuer has failed to appoint a replacement Note Trustee or Issuer Security Trustee, the outgoing Note Trustee or Issuer Security Trustee will be entitled to appoint a successor which shall be approved by an Extraordinary Resolution of the Most Senior Class of Noteholders. The Rating Agencies shall be notified of such appointment and the Issuer Secured Creditors shall be notified of the appointment of a successor Issuer Security Trustee.

Governing Law

Each of the Note Trust Deed and the Issuer Deed of Charge and any non-contractual obligation arising in or out of or in relation to the Note Trust Deed or the Issuer Deed of Charge will be governed by and construed in accordance with English law.

TERMS AND CONDITIONS OF THE NOTES

The following are the terms and conditions of the Notes in the form in which they shall be set out in the Note Trust Deed. While the Notes remain in global form, the same terms and conditions govern such Notes, except to the extent that they are appropriate only to Notes in definitive form.

The €710,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2024 (the "**Class A Notes**"), the €130,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2024 (the "**Class B Notes**"), the €120,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2024 (the "**Class C Notes**"), the €95,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2024 (the "**Class D Notes**"), the €19,800,000 Class E Commercial Mortgage Backed Floating Rate Notes due 2024 (the "**Class E Notes**" and, together with the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes, the "**Notes**") of Taurus 2013 (GMF1) plc (the "**Issuer**") are constituted by a note trust deed dated on or about 16 May 2013 (the "**Closing Date**") (the "**Note Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between the Issuer and U.S. Bank Trustees Limited (the "**Note Trustee**", which expression includes its successors or any further or other trustee under the Note Trust Deed) as trustee for the holders for the time being of the Notes and are subject to these terms and conditions (the "**Conditions**") and any reference to "**Condition**" shall be construed accordingly.

The respective holders of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes, (each a "**Noteholder**" and, collectively, the "**Noteholders**") are referred to in these Conditions as the "**Class A Noteholders**", the "**Class B Noteholders**", the "**Class C Noteholders**", the "**Class D Noteholders**" and the "**Class E Noteholders**" respectively.

Any reference to a "**Class**" of Notes or Noteholders shall be a reference to any, or all of, the respective Class A Notes, Class B Notes, Class C Notes, Class D Notes and the Class E 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 the terms set out in, by a deed of charge dated on or about the Closing Date (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 an assignment agreement dated on or about the Closing Date (the "**Issuer German Security Agreement**", and together with the Issuer Deed of Charge and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified, the "**Issuer Security Documents**") and made in each case between, among others, the Issuer and U.S. Bank Trustees Limited (the "**Issuer Security Trustee**", which expression includes its successors or any other trustee under the Issuer Security Documents). By an agency agreement dated on or about the Closing Date (the "**Agency Agreement**", which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer, the Note Trustee, U.S. Bank Trustees Limited in its separate capacities under the same agreement as principal paying agent (the "**Principal Paying Agent**", which expression includes any other principal paying agent appointed in respect of the Notes) and the agent bank (the "**Agent Bank**", which expression includes any other agent bank appointed in respect of the Notes) (the Principal Paying Agent being, together with any further or other paying agents for the time being appointed in respect of the Notes, the "**Paying Agents**") and, together with the Agent Bank, the "**Agents**"), provision is made for, among other things, the repayment of principal of and payment of interest on the Notes.

The Noteholders and all persons claiming through them or under the Notes are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Note Trust Deed, the Issuer Deed of Charge, the Agency Agreement and the other Issuer Transaction Documents.

The provisions of these Conditions include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Agency Agreement, the Issuer Security Documents, the Cash Management Agreement, the Issuer Account Bank Agreement, the Liquidity Facility Agreement, the Interest Rate Swap Agreement, the Issuer Corporate Services Agreement, the Servicing Agreement, the Servicing Agreement the Share Declaration of Trust and the Incorporated Terms Memorandum (as defined below).

Copies of the Note Trust Deed, the Agency Agreement, the Issuer Security Documents, the Cash Management Agreement, the Issuer Account Bank Agreement, the Interest Rate Swap Agreement (and confirmations entered into in relation thereto), the Liquidity Facility Agreement, the Issuer Corporate Services Agreement, the Servicing Agreement and the Incorporated Terms Memorandum (as defined below) are available for inspection at 35 Great St. Helen's, London EC3A 6AP or during business hours at the registered office for the time being of the Note Trustee, being at the date hereof at 125 Old Broad Street, London EC2N 1AR and at the specified office of each of the Paying Agents or electronically on reasonable request.

The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 14 May 2013.

Capitalised terms used and not otherwise defined in these Conditions shall bear the meanings given to them in a Incorporated Terms Memorandum dated the Closing Date entered into between, *inter alios*, the Issuer, the Note Trustee, the Issuer Security Trustee, the Servicer, the Special Servicer, the Issuer Corporate Services Provider, the Interest Rate Swap Counterparty and the Issuer Cash Manager (as the same may be amended, varied and supplemented from time to time) (the "**Incorporated Terms Memorandum**").

References herein to an "**Extraordinary Resolution**" in respect of the Noteholders or any Class of Noteholders means:

- (a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Note Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 75 per cent. of the votes cast on such poll; or
- (b) a resolution in writing signed by or on behalf of the holders of Notes outstanding constituting not less than 75 per cent. in aggregate Principal Amount Outstanding of the Notes outstanding or of the Notes outstanding of such Class, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders,

and (in the circumstances set out in Condition 14 (*Meetings of Noteholders, Modification and Waiver, Substitution and Termination of Certain Issuer Related Parties*)) an Extraordinary Resolution (other than in respect of a Basic Terms Modification, the waiver of any Note Event of Default, the acceleration of the Notes or the enforcement of the Issuer Security) will be deemed to have been passed unless the holders of Notes outstanding constituting 25 per cent. or more in aggregate Principal Amount Outstanding of the Notes or, as the case may be, the Notes of such Class have informed the Note Trustee in the prescribed manner of their objection to such Extraordinary Resolution within 30 days after the date on which a notice containing the text of such Extraordinary Resolution which acts as an invitation to the Noteholders or, as the case may be, the Noteholders of such Class to object to the same and details the manner in which such objections should be made has been given to the Noteholders or, as the case may be, such Class in accordance with the provisions of Condition 17 (*Notice to and Communication between Noteholders*).

The following matters may only be passed by way of an Extraordinary Resolution.

- (a) a Basic Terms Modification; and
- (b) a modification of the Notes or the Note Trust Deed (including the Conditions) or the provisions of any of the other Issuer Transaction Documents;.

References herein to an "**Ordinary Resolution**" in respect of the Noteholders or any Class of Noteholders means:

- (a) a resolution passed at a duly convened meeting of the Noteholders or the Noteholders of such Class and held in accordance with the provisions of the Note Trust Deed by a majority consisting of not less than 50.1 per cent. of the persons voting thereat upon a show of hands, or if a poll is demanded, by a majority consisting of not less than 50.1 per cent. of the votes cast on such poll; or

- (b) a resolution in writing signed by or on behalf of the holders of Notes outstanding constituting not less than 50.1 per cent. in aggregate Principal Amount Outstanding of the Notes outstanding or of the Notes outstanding of such Class, which resolution may be contained in one document or in several documents in like form each signed by or on behalf of one or more of such holders,

and (in the circumstances set out in Condition 14 (*Meeting of Noteholders, Modifications and Waiver, Substitution and Termination of Issuer Related Parties*)) an Ordinary Resolution will be deemed to have been passed unless the holders of Notes outstanding constituting 50 per cent. or more in aggregate Principal Amount Outstanding of the Notes of such Class have informed the Note Trustee in the prescribed manner of their objection to such Ordinary Resolution within 30 days after the date on which a notice containing the text of such Ordinary Resolution which acts as an invitation to Noteholders of such Class to object to the same and details the manner in which such objections should be made has been given to such Class in accordance with the provisions of Condition 17 (*Notice to and Communication between Noteholders*).

1. FORM, DENOMINATION AND TITLE

Each Class of Notes is initially represented by a temporary global note in bearer form (each a "**Temporary Global Note**"). Each Temporary Global Note will on issue be deposited by the Issuer in satisfaction of its obligation to issue the Notes to the subscribers of each Class of the Notes with a common safekeeper (the "**Common Safekeeper**") for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") on the Closing Date. Upon deposit of the Temporary Global Notes, Euroclear will credit each subscriber of the Notes with the principal amount of Notes of the relevant Class equal to the aggregate principal amount thereof for which it had subscribed and paid. Interests in each Temporary Global Note are exchangeable 40 days after the Closing Date (the "**Exchange Date**"), provided certification of non-U.S. beneficial ownership by the relevant Noteholders has been received ("**Certification**"), for interests in a permanent global note in bearer form (each a "**Permanent Global Note**") (which will also be held by a Common Safekeeper) representing the same Class of Notes, without Coupons or Talons. The expressions "**Global Notes**" and "**Global Note**" mean, respectively (i) all the Temporary Global Notes and the Permanent Global Notes or the Temporary Global Note and the Permanent Global Note of a particular Class or (ii) any Temporary Global Notes or Permanent Global Notes, as the context may require. On the exchange of the Temporary Global Note for the Permanent Global Note of the relevant Class, the Permanent Global Notes will remain deposited with the relevant Common Safekeeper. Title to the Global Notes will pass by delivery. The Permanent Global Notes will only be exchangeable for Definitive Notes in certain limited circumstances described below.

For so long as any Notes are represented by a Global Note, interests in such Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.

If, while any of the Notes are represented by a Permanent Global Note: (i) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence, or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which change becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Payment Date be required to make any deduction or withholding from any payment in respect of such Notes which would not be required were such Notes in definitive form, then the Issuer will issue Definitive Notes in respect of the Notes in exchange for the whole outstanding interest in the Permanent Global Note of each Class on the later of the Exchange Date and the day falling 30 days after the occurrence of the relevant event.

Definitive Notes of each Class (which, if issued, the Definitive Notes for the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes (together, the "**Notes**") will be issued in bearer form in denominations of €100,000 and in increments above €100,000 of €1,000 and will be serially numbered and will be issued in bearer form with (at the date of issue) bearer interest coupons ("**Coupons**") and talons for further Coupons ("**Talons**") attached at the time of issue. Title to the Definitive Notes and Coupons shall pass by delivery.

The "**holder**" of any Note or any Coupon shall (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Note or Coupon, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon and no person shall be liable for so treating such holder.

References to "**Notes**" in these Conditions shall include the Global Notes and the Definitive Notes.

2. **STATUS, SECURITY AND PRIORITY**

(a) **Status and Relationship among the Notes**

- (i) The Notes constitute direct, unconditional, limited recourse and secured obligations of the Issuer and are secured by the Issuer Security (as more particularly described in this Condition 2 and in Condition 12 (*Limited Recourse and Non-Petition*) below).
- (ii) The Class A Notes rank *pari passu* without preference or priority amongst themselves as to payments of interest and as to repayments of principal.

The Class B Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes as provided in these Conditions and the Issuer Transaction Documents.

The Class C Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes and the Class B Notes as provided in these Conditions and the Issuer Transaction Documents.

The Class D Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes, the Class B Notes and the Class C Notes as provided in these Conditions and the Issuer Transaction Documents.

The Class E Notes rank *pari passu* without preference or priority amongst themselves but junior to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes as provided in these Conditions and the Issuer Transaction Documents.

- (iii) The Note Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the holders of the Class A Notes, the Class B Notes, the Class C Notes, the Class D Notes and the Class E Notes equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee, except as provided otherwise in the Note Trust Deed and these Conditions.

Save in the case of the Noteholders, in respect of a Basic Terms Modification or any power, trust, authority, duty or discretion of the Note Trustee in relation to which it is expressly stated that it may be exercised by the Note Trustee only if in its opinion the interests of the Noteholders of each Class of Notes would not be materially prejudiced thereby.

if, in the opinion of the Note Trustee, there is a conflict between:

- (A) the interests of the Class A Noteholders (for so long as there are any Class A Notes outstanding) on the one hand and the interests of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and/or the Class E Noteholders on the other hand, the Note Trustee shall have regard only to the interests of the Class A Noteholders;
- (B) the interests of the Class B Noteholders (for so long as there are any Class B Notes outstanding) on the one hand and the interests of the Class C Noteholders, the Class D Noteholders and/or the Class E Noteholders on the other hand, the Note Trustee shall, subject to (A) above, have regard only to the interests of the Class B Noteholders;

- (C) the interests of the Class C Noteholders (for so long as there are any Class C Notes outstanding) on the one hand and the interests of the Class D Noteholders and/or the Class E Noteholders on the other hand, the Note Trustee shall, subject to (A) and (B) above, have regard only to the interests of the Class C Noteholders;
 - (D) the interests of the Class D Noteholders (for so long as there are any Class D Notes outstanding) on the one hand and the interests of the Class E Noteholders on the other hand, the Note Trustee shall, subject to (A) and (B) above, have regard only to the interests of the Class D Noteholders;
- (iv) The Note Trust Deed contains provisions limiting the powers of (a) the Class B Noteholders among other things, to request or direct the Note Trustee to take any action or to pass any Extraordinary Resolution or Ordinary Resolution which may affect the interests of the Class A Noteholders, (b) the Class C Noteholders, among other things, to request or direct the Note Trustee to take any action or pass any Extraordinary Resolution or an Ordinary Resolution which may affect the interests of the Class A Noteholders or the Class B Noteholders (c) the Class D Noteholders, among other things, to request or direct the Note Trustee to take any action or pass any Extraordinary Resolution or Ordinary Resolution which may affect the interests of the Class A Noteholders or the Class B Noteholders or the Class C Noteholders and (d) the Class E Noteholders, among other things, to request or direct the Note Trustee to take any action or pass any Extraordinary Resolution or Ordinary Resolution which may affect the interests of the Class A Noteholders or the Class B Noteholders or the Class C Noteholders or the Class D Noteholders.

Except in certain circumstances as set out in the Note Trust Deed, the Note Trust Deed contains no such limitation on the powers of the Class A Noteholders, the exercise of which powers will be binding on the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders irrespective of the effect thereof on their interests subject as provided below in Condition 14 (*Meetings of Noteholders, Modifications and Waiver, Substitution and Termination of Certain Issuer Related Parties*).

Except in certain circumstances as set out in the Note Trust Deed, the exercise of powers by the Class B Noteholders will be binding on the Class C Noteholders, the Class D Noteholders and the Class E Noteholders and the exercise of powers by the Class C Noteholders will be binding on the Class D Noteholders and the Class E Noteholders, and the exercise of powers by the Class D Noteholders will be binding on the Class E Noteholders, irrespective of the effect thereof on their interests, in each case, subject as provided below in Condition 14.

- (v) Nothing in the Note Trust Deed or the Notes shall be construed as giving rise to any relationship of agency or partnership between the Noteholders and any other person and each Noteholder shall be acting entirely for its own account in exercising its rights under the Note Trust Deed or the Notes.

(b) **Security and Priority of Payments**

As security for its obligations under, *inter alia*, the Notes pursuant to the Issuer Deed of Charge, the Issuer has granted the following security in favour of the Issuer Security Trustee for itself and on trust for the Noteholders, the DACs holders and the Issuer Related Parties (the "**Issuer Security Trustee**" and all of such persons being collectively, the "**Issuer Secured Creditors**"):

- (i) Pursuant to the Issuer Deed of Charge:
 - (A) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and pursuant to the Issuer Transaction Documents (subject to any right of set-off or netting provided for under the Interest Rate Swap Agreement), the Finance Documents (other than any Finance Document governed by German law), the Transaction Security (other than any

Transaction Security governed by German law) and all other contracts, agreements and deeds present and future, to which the Issuer is or may become a party or in respect of which it may have the benefit, including all reports, valuations and opinions (other than any Issuer Security Document);

- (B) a first fixed charge over the Issuer's rights, title, interest and benefit both present and future in and to all sums of money or securities which are from time to time and at any time standing to the credit of the Issuer Bank Accounts and any other bank, securities or other account opened and maintained in England and Wales and in which the Issuer may at any time acquire any right, title, interest or benefit or otherwise place and hold its cash or securities, resources, and in the funds or securities from time to time standing to the credit of such accounts and in the debts represented thereby;
 - (C) a first fixed charge in and to the Issuer's rights, title, interest and benefit, present and future in and to all Permitted Investments made by or on behalf of the Issuer using moneys standing to the credit of the Stand-by Account including without limitation and to the extent not already stated above, all rights to receive payment of all amounts thereunder, all moneys, income and proceeds payable and/or paid thereunder or arising or accrued in respect thereof, the benefit of all covenants relating thereto, all rights of action in respect thereof and all powers and all rights and remedies for enforcing the same; and
 - (D) a first ranking floating charge over the whole of the undertaking of the Issuer and all its property and assets whatsoever and wheresoever situate, present and future (other than those subject to the fixed charges set out in paragraphs (A) to (C) above and those subject to the Issuer German Security Agreement).
- (ii) Pursuant to the Issuer German Security Agreement, an assignment by way of security (*Sicherungabtretung*) of the Issuers' rights, claims and interest against, *inter alia*, the Borrower Security Trustee arising in connection with the German law Finance Documents and Transaction Security, collectively with (i) above, the "**Issuer Security**".

The Issuer Deed of Charge contains provisions regulating the priority of application of the Issuer Security (and the proceeds thereof) by the Issuer Cash Manager among the persons entitled thereto prior to the service of a Note Acceleration Notice or the Issuer Security otherwise becoming enforceable and the Issuer Deed of Charge contains provisions regulating such application by the Issuer Security Trustee after the service of a Note Acceleration Notice or the Issuer Security becoming otherwise enforceable.

If the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Issuer Security Trustee will not be entitled to dispose of the undertaking, property or assets secured under the Issuer Security or any part thereof or otherwise realise the Issuer Security unless:

- (iii) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes; or
- (iv) the Issuer Security Trustee is of the opinion, which shall be binding on the Noteholders, reached after considering at any time and from time to time the advice of such professional advisers as are selected by the Issuer Security Trustee, upon which the Issuer Security Trustee shall be entitled to rely, that the cashflow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes; or

- (v) the Issuer Security Trustee considers, in its discretion, that not to effect such disposal or realisation would place the Issuer Security in jeopardy, and, in any event, the Issuer Security Trustee has been indemnified and/or secured and/or prefunded to its satisfaction.

3. COVENANTS

Except with the prior written consent of the Note Trustee or unless otherwise provided in the Transaction Documents (as defined in the Incorporated Terms Memorandum), the Issuer will covenant that, so long as any Note remains outstanding it will not:

(a) *Negative Pledge*

Create or permit to subsist any mortgage, standard security, sub-mortgage, sub-standard security assignment, charge, sub-charge, pledge, lien (other than the Issuer Deed of Charge and unless arising by operation of law), hypothecation, assignation or other security interest whatsoever and howsoever described over any of its assets, present or future (including any uncalled capital);

(b) *Restrictions on Activities*

- (A) engage in any activity 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;
- (B) have any subsidiaries or any employees or own, rent, lease or be in possession of any buildings or equipment; or
- (C) amend, supplement or otherwise modify its memorandum or articles of association or other constitutive documents;

(c) *Disposal of Assets*

Transfer, sell, lend or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertakings or any interest, estate, right, title or benefit therein;

(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 Issuer Deed of Charge;

(e) *Borrowing*

Incur or permit to exist any indebtedness in respect of borrowed money, except in respect of the Notes, the Interest Rate Swap Agreement, and the Liquidity Facility Agreement (each as defined in the Incorporated Terms Memorandum) 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) *Variation*

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, the 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 the Issuer Security or any other person whose obligations form part of the Issuer Security to be released from such obligations or dispose of all or any part of the Issuer Security;

(h) *Bank Accounts*

Have an interest in any bank account other than the Issuer Bank Accounts (each as defined in the Incorporated Terms Memorandum), unless such account or interest therein is charged to the Note Trustee on terms acceptable to it;

(i) **Assets**

Own assets other than those representing its share capital, the funds arising from the issue of the Notes, the property, rights and assets secured by the Issuer Security, the benefit of the Issuer Transaction Documents and any investments and other rights or interests created or acquired thereunder, as all of the same may vary from time to time;

(j) **VAT**

Apply to become part of any VAT group; and

(k) **Residence**

Take any action (save to the extent necessary for the Issuer to comply with its obligations under the Transaction Documents) which will cause its "centre of main interests" (within the meaning of European Council Regulation No. 1346/2000 on Insolvency Proceedings (the "**Insolvency Regulations**") to be located in any jurisdiction other than Luxembourg and will not establish any offices, branches or other permanent establishments (as defined in the Insolvency Regulations) or register as a company in any jurisdiction other than Luxembourg.

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** each Rating Agency (as defined in the Incorporated Terms Memorandum) has provided written confirmation to the Note Trustee that the then current ratings of each Class of Notes rated thereby will not be qualified, downgraded or withdrawn as a result of such modifications or additions.

4. **INTEREST**

(a) **Period of Accrual**

Each Note bears interest on its 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 its due date for redemption unless, in the case of a Global Note, upon due presentation, or otherwise in the case of a Definitive Note, payment of the relevant amount of principal or any part thereof is improperly withheld or refused on any Global Note or Definitive Note, as applicable. Where such payment of principal is improperly withheld or refused on any Note, interest will continue to accrue thereon (before as well as after any judgment) at the rate applicable to such Note up to (but excluding) the date on which payment in full of the relevant amount of principal, together with the interest accrued thereon, is made or (if earlier) the seventh day after notice is duly given to the holder thereof (either in accordance with Condition 17 (*Notice to and Communication between Noteholders*) or individually) that, upon presentation thereof being duly made, in the case of a Global Note, or otherwise in the case of a Definitive Note, such payment will be made, **provided that** upon presentation thereof being duly made, payment is in fact made.

Whenever it is necessary to compute an amount of interest for any period (including any Note Interest Period (as defined below)), such interest shall be calculated in the case of the Notes, on the basis of actual days elapsed and a 360 day year.

(b) **Note Payment Dates and Note Interest Periods**

Interest on the Notes is, subject as provided below in relation to the first Note Payment Date, payable quarterly in arrear on the 21 day of February, May, August and November in each year (or, if such day is not a Business Day, the next following Business Day unless such Business Day falls in the next following calendar month in which event the immediately preceding Business Day) (each, a "**Note Payment Date**") in respect of the Note Interest Period ending immediately

prior thereto. The first Note Payment Date in respect of each Class of Notes is the Note Payment Date falling in August 2013 in respect of the period from (and including) the Closing Date to (but excluding) that Note Payment Date.

In these Conditions, "**Note Interest Period**" shall mean the period from (and including) a Note Payment Date to (but excluding) the next following Note Payment Date **provided that** the first Note Interest Period shall be the period from (and including) the Closing Date to (but excluding) the Note Payment Date falling in August 2013.

(c) **Deferral of Interest**

To the extent that funds available to the Issuer to pay Regular Interest on the Notes of any class (other than the Class A Notes and the Class B Notes and, if the Class A Notes and the Class B Notes have been redeemed the then Most Senior Class of Notes then outstanding) on a Note Payment Date are insufficient to pay either the full amount of such Regular Interest in respect of the Class A Notes, as applicable, payment of the shortfall in respect of such class of Notes ("**Deferred Interest**") will not then fall due but will instead be deferred until the first Note Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with these Conditions) to fund the payment of such Deferred Interest to the extent of such available funds and in accordance with the relevant Priority of Payments.

Such Deferred Interest will accrue interest ("**Additional Interest**") at the rate of interest applicable from time to time to such Notes and such portion of interest (as determined by this Condition 4 (*Interest*)) and payment of any Additional Interest will also be deferred until the first Note Payment Date thereafter on which funds are available (subject to and in accordance with these Conditions) to the Issuer to pay such Additional Interest.

Payment of any amounts of Deferred Interest or Additional Interest, as applicable, shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which each respective class of Notes falls to be redeemed in full in accordance with Condition 6 (*Redemption and Cancellation*) and any such amount which has not then been paid in respect of the relevant class of Notes shall thereupon become due and payable in full.

"**Most Senior Class of Notes**" then outstanding, being:

- (a) the Class A Notes whilst they remain outstanding;
- (b) thereafter the Class B Notes whilst they remain outstanding;
- (c) thereafter the Class C Notes whilst they remain outstanding;
- (d) thereafter the Class D Notes whilst they remain outstanding; and
- (e) thereafter the Class E Notes.

(d) **Rate of Interest**

The rate of interest payable from time to time in respect of each Class of Notes (each, a "**Rate of Interest**" and together, the "**Rates of Interest**") will be determined by the Agent Bank on the basis of the following provisions.

The Agent Bank will at, or as soon as practicable after, 11.00 a.m. (Brussels time) two Business Days prior to the first day of each Note Interest Period for which the rate will apply or, in the case of the first Note Interest Period, two Business Days prior to the Closing Date (each, an "**Interest Rate Determination Date**"), determine the Rate of Interest applicable to, and calculate the amount of interest payable on each of the Notes, for the Note Interest Period immediately following such Interest Rate Determination Date.

The Rate of Interest applicable to the Notes of each Class shall be equal to and be comprised of the following two components:

- (i) for any Note Interest Period:
 - (A) up to and including the maturity date of the Loans (after taking into due account the exercise of any extension option) (the "**Loan Final Date**") will be equal to three month EURIBOR (or, in the case of the first Note Interest Period, the linear interpolation of three-month and four-month EURIBOR deposits); and
 - (B) from the Loan Final Date will be equal to three month EURIBOR which shall not exceed, in respect of the Class A Notes 8 per cent., in respect of the Class B Notes 8 per cent., in respect of the Class C Notes 8 per cent., in respect of the Class D Notes 8 per cent. and in respect of the Class E Notes 8 per cent.;

plus

- (ii) for any Note Interest Period, the Relevant Margin ((a) and (b) together being "**Regular Interest**").

For the purposes of these Conditions, "**Relevant Margin**" means, with respect to each Class of Notes:

- (iii) Class A Notes: 1.05 per cent. per annum;
- (iv) Class B Notes: 1.50 per cent. per annum;
- (v) Class C Notes: 2.00 per cent. per annum;
- (vi) Class D Notes: 2.75 per cent. per annum; and
- (vii) Class E Notes: 3.50 per cent. per annum.

For the purposes of determining the Rate of Interest in respect of the Notes, ("**EURIBOR**") will be determined by the Agent Bank on the basis of the following provisions:

- (A) on each Interest Rate Determination Date, the Agent Bank will determine at or about 11.00 a.m. (Brussels time) on such date the interest rate for three month Euro deposits in the Eurozone inter-bank market which appears on the Reuters Screen EURIBOR01 Page (the "**EURIBOR Screen Rate**") (or, in respect of the first such Note Interest Period, the arithmetic mean of a linear interpolation of the rates for three-month and four-month Euro deposits) (or (i) such other page as may replace the Reuters screen EURIBOR01 Page for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Note Trustee); or
- (B) if the EURIBOR Screen Rate is not then available, the arithmetic mean (rounded to five decimal places, 0.000005 rounded upwards) of the rates notified to the Agent Bank at its request by each of four Reference Banks duly appointed for such purpose (the "**Reference Banks**") as the rate at which three month deposits in Euro are offered for the same period as that Note Interest Period by those Reference Banks to prime banks in the Eurozone inter-bank market at or about 11.00 a.m. (Brussels time) on that date (or, in respect of the first Note Interest Period, the arithmetic mean of a linear interpolation of the rates for three-month and four-month Euro deposits notified by the Reference Banks). If, on any such Interest Rate Determination Date, at least two of the Reference Banks provide such offered quotations to the Agent Bank the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Rate Determination Date, only one 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 purposes of agreeing one or, as the case may be, two additional bank(s) to provide such a quotation or quotations to the Agent Bank (which bank is (or banks are, as the case may be) in the sole opinion of the Note Trustee suitable for such purpose) and the rate for the Note Interest Period in question shall be

determined, as aforesaid, on the basis of the offered quotations of such Reference Bank and/or banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the rate for the relevant Note Interest Period shall be the arithmetic mean (rounded to five decimal places, 0.000005 being rounded upwards) of the rates quoted by major banks in the Eurozone inter-bank market, selected by the Agent Bank, at approximately 11.00 a.m. (Brussels time) on the Closing Date or the relevant Interest Rate Determination Date, as the case may be, for Loans in Euro to leading Eurozone banks for a period of three months or, in the case of the first Note Interest Period, the same as the relevant Note Interest Period; and

For the purposes of these Conditions:

"Business Day" means a day (other than a Saturday or a Sunday) on which banks are open for business in London, Frankfurt am Main and Dublin and which is a TARGET Day.

(e) **Determination of Rates of Interest and Calculation of Revenue Receipts for Notes**

The Agent Bank shall, on or as soon as practicable after each Interest Rate Determination Date, but in no event later than the first day of the relevant Note Interest Period, notify the Issuer, the Note Trustee, the Issuer Cash Manager and the Paying Agents in writing of (i) the Rates of Interest applicable for the Note Interest Period immediately following such Interest Rate Determination Date, in respect of the Notes of each Class and (ii) the amount of interest (the **"Interest Amount"**) payable, subject to Condition 4(b) (*Interest - Note Payment Dates and Note Interest Periods*) and Condition 4(d) (*Interest - Rate of Interest*), in respect of such Note Interest Period in respect of the Notes of each Class and (iii) each Note Factor (as defined in Condition 6(d) (*Redemption and Cancellation - Principal Amount Outstanding and Note Factor*)). Each Interest Amount in respect of the Notes of each Class shall be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of the relevant Class of Notes and multiplying such sum by the actual number of days in the relevant Note Interest Period divided by 360.

(f) **Publication of Rates of Interest, Revenue Receipts and other Notices**

As soon as practicable after receiving notification thereof (and in any event not later than the first day of the relevant Note Interest Period), the Issuer will cause the Rate of Interest and the Interest Amount applicable to the Notes of each Class for each Note Interest Period and the Note Payment Date in respect thereof to be notified in writing to the Irish Stock Exchange Limited (the **"Irish Stock Exchange"**) (for so long as the Notes are listed on the Irish Stock Exchange) and will cause notice thereof to be given to the relevant Class of Noteholders in accordance with Condition 17 (*Notice to and Communication between Noteholders*). The Revenue Receipts, Note Payment Date and other determinations so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Note Interest Period for the Notes or in the circumstances referred to in Condition 4(c) (*Deferral of Interest*).

(g) **Determination and/or Calculation by the Note Trustee**

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount for any Class of the Notes and/or make any other necessary calculations in accordance with this Condition, the Note Trustee shall (or shall appoint an agent, on its behalf to do so) (i) determine the Rate of Interest at such rate as is, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances, and/or (as the case may be), (ii) calculate the Interest Amount for each Class of the Notes in the manner specified in Condition 4(e) (*Interest - Determination of Rates of Interest and Calculation of Revenue Receipts for Notes*) and/or (as the case may be), (iii) calculate each Note Factor in the manner described in Condition 6(d) (*Redemption and Cancellation - Principal Amount Outstanding and Note Factor*) and any such determination and/or calculation shall be deemed to have been made by the Agent Bank and the Note Trustee shall have no liability in respect thereof.

(h) **Notifications to be Final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them) or the Cash Manager or the Agent Bank or the Note Trustee will be binding on the Issuer, the Reference Banks, the Agent Bank, the Note Trustee, the Servicing Entities, the Issuer Cash Manager, the Paying Agents and all Noteholders and no liability to the Noteholders shall attach to the Issuer, the Reference Banks, or the Cash Manager or 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.

(i) **Reference Banks and Agent Bank**

The Issuer shall ensure that, so long as any of the Notes remains outstanding, there shall, at all times, be four Reference Banks and an Agent Bank. The Initial Reference Banks are to be the principal Eurozone offices of four major banks in the Eurozone interbank market chosen by the Agent Bank (the "**Reference Banks**"). In the event of the principal Eurozone office of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may have been previously approved in writing by the Note Trustee to act as such in its place. Any purported resignation or removal by the Agent Bank shall not take effect until a successor so approved by the Note Trustee has been appointed.

(j) **Non-payment of Interest**

For the avoidance of doubt, there shall be no Note Event of Default caused by reason only of the non-payment when due of interest or Note Extension Amounts on any Class of Notes other than for non-payment of Regular Interest on the Most Senior Class of Notes then outstanding.

5. **NOTE EXTENSION AMOUNTS**

(a) **Calculation of Note Extension Amounts**

Upon the occurrence of the payment of an Extension Fee pursuant to the Facility Agreement, an amount equal to 1 per cent. of the Principal Amount Outstanding of the relevant Class of Notes shall be payable on that Class of Note on the immediately following Note Payment Date following receipt by the Issuer (in relation to each Class of Notes, the "**Initial Note Extension Amount**"). On each Note Payment Date occurring after the Expected Maturity Date an amount equal to 0.525 per cent. of the Principal Amount Outstanding of the Class A Notes, 0.75 per cent. of the Principal Amount Outstanding of the Class B Notes, 1 per cent. of the Principal Amount Outstanding of the Class C Notes, 1.375 per cent. of the Principal Amount Outstanding of the Class D Notes and 1.75 per cent. of the Principal Amount Outstanding of the Class E Notes will be payable as a further note extension amount (in relation to each Class of Notes, the "**Further Note Extension Amount**" and together with the Initial Note Extension Amount, the "**Note Extension Amount**").

(b) **Deferral of Note Extension Amounts**

To the extent that funds available to the Issuer to pay Note Extension Amounts on the Notes of any class on a Note Payment Date are insufficient to pay the full amount of such Note Extension Amounts, payment of the shortfall of any Note Extension Amount ("**Deferred Note Extension Amounts**") will not then fall due on that Note Payment Date, but will instead be deferred until the first Note Payment Date thereafter on which funds are available to the Issuer (after allowing for the Issuer's liabilities of higher priority and subject to and in accordance with these Conditions) to fund the payment of such Deferred Note Extension Amounts. Such Deferred Note Extension Amounts will not accrue interest.

Payment of any amounts of Deferred Note Extension Amounts shall not be deferred beyond the Final Maturity Date or beyond any earlier date on which each respective class of Notes falls to be redeemed in full in accordance with Condition 6 (*Redemption and Cancellation*).

6. **REDEMPTION AND CANCELLATION**

(a) **Final Redemption of the Notes**

Unless previously redeemed in full and cancelled as provided in this Condition 6 (*Redemption and Cancellation*), the Issuer shall redeem the Notes at their aggregate Principal Amount Outstanding together with accrued interest on the Final Maturity Date.

The Issuer may not redeem Notes in whole or in part prior to the Final Maturity Date except as described in this Condition but without prejudice to Condition 10 (*Note Events of Default*).

(b) **Mandatory Redemption from Principal Receipts**

Unless such Note has been previously redeemed in full and cancelled as provided in this Condition 6 (*Redemption and Cancellation*) each Class of Notes is subject to mandatory early redemption in part on each Note Payment Date in an amount not exceeding the Principal Receipts allocated to such Class on such Note Payment Date, subject to and in accordance with the applicable Priority of Payments.

The Exit Payment Amount will be determined by the Issuer Cash Manager and payable only in respect of those Classes of Notes which have been subject to a mandatory redemption in part by reason of a prepayment of a Loan (a "**Loan Prepayment**"). An "**Exit Fee**" is payable by the Borrowers in accordance with the prepayment provisions in the Facility Agreement.

The Exit Payment Amount will be allocated to each Class of Notes which is subject to an early mandatory redemption as a result of the related Loan Prepayment *pro rata* pursuant to this Condition 6(b) (*Redemption and Cancellation – Mandatory Redemption from Principal Receipts*) as a result of the Loan Prepayment to which such prepayment relates.

"**Exit Payment Amount**" means, in the case of prepayment of any Class of Notes:

- (i) if the prepayment is made before the third anniversary of the First Utilisation Date of the Loans, the net present value (as determined by the Issuer Cash Manager) of the difference between:
 - (A) an amount equal to the Relevant Margin of such Class of Notes calculated on the amount of the prepayment for a period of five years; and
 - (B) the aggregate amount of such Relevant Margin as applicable to the relevant Class of Notes, paid on the amount of the prepayment on or before such prepayment; or
- (ii) if the prepayment is made on or after the third anniversary of the First Utilisation Date of the Loans, the sum of:
 - (A) 1.50 per cent. per annum calculated on the amount of the prepayment for the period remaining (if any) from the date of the prepayment up to (and including) the fourth anniversary of the First Utilisation Date of the Loans; and
 - (B) 0.50 per cent. per annum calculated on the amount of the prepayment for the period remaining (if any) from (but excluding) the fourth anniversary of the Utilisation Date of the Loans up to (and including) the date six months prior to the fifth anniversary of the First Utilisation Date of the Loans,

provided that there shall be no Exit Payment Amount payable in any circumstance where there is no Exit Fee payable pursuant to the terms of the Facility Agreement.

Any surplus amount of Exit Fee paid under the Loan which is not allocated as an Exit Payment Amount on the Notes will be paid to the holder of the DACs (the "**DAC Exit Payment Amount**").

(c) **Optional Redemption for Tax or Other Reasons**

If the Issuer at any time satisfies the Note Trustee (who will be so satisfied if it receives a legal opinion to its satisfaction confirming such matters) immediately prior to giving the notice referred to below that either:

- (i) by virtue of a change in the tax law of the United Kingdom, Ireland, Germany or any other jurisdiction (or the application or official interpretation thereof) from that in effect on the Closing Date, on the next Note Payment Date the Issuer or any Paying Agent on its behalf would be required to deduct or withhold from any payment of principal or interest in respect of any Note (other than where the relevant holder or beneficial owner has some connection with the relevant jurisdiction other than the holding of Notes and other than in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the relevant jurisdiction (or any political sub-division thereof or authority thereof or therein having power to tax) and such requirement cannot be avoided by the Issuer taking reasonable measures available to it; or
- (ii) if any amount payable by the Borrowers in respect of the Issuer Assets is reduced or ceases to be receivable (whether or not actually received) by the Issuer during the Note Interest Period preceding the next Note Payment Date,

and, in any such case, the Issuer has, prior to giving the notice referred to below, certified to the Note Trustee that it will have the necessary funds on such Note Payment Date to discharge all of its liabilities in respect of the Notes to be redeemed under this Condition 6(c) (*Redemption and Cancellation – Optional Redemption for Tax or Other Reasons*) and any amount required under the Cash Management Agreement, the Note Trust Deed and the Issuer Deed of Charge to be paid in priority to, or *pari passu* with, the Notes to be so redeemed, which certificate shall be conclusive and binding, and **provided that** on the Note Payment Date on which such notice expires, no Note Acceleration Notice has been served, then the Issuer may, but shall not be obliged to, on any Note Payment Date on which the relevant event described above is continuing, having given not more than 60 nor fewer than 30 days' written notice ending on such Note Payment Date to the Note Trustee, the Paying Agents and to the Noteholders in accordance with Condition 17 (*Notice to and Communication between Noteholders*), redeem all of the Notes in an amount equal to the then respective aggregate Principal Amounts Outstanding plus interest accrued and unpaid thereon.

(d) **Optional Redemption in Full**

On any Note Payment Date on which the aggregate Principal Amount Outstanding of the Notes is (or will be) less than 10 per cent. of the aggregate Principal Amount Outstanding of the Notes as at the Closing Date and having given not more than 30 nor fewer than 5 days' prior notice to the Note Trustee and the Noteholders in accordance with Condition 17 (*Notice and Communication between Noteholders*), the Issuer may redeem all (but not some only) of the Notes at their Principal Amount Outstanding together with any accrued interest, **provided that**, prior to giving any such notice, the Issuer shall have provided to the Note Trustee prior to the date of such redemption a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to any interest of any other person, required to redeem the Notes as aforesaid and any amounts required to be paid in priority to or *pari passu* with the Notes outstanding in accordance with the Issuer Deed of Charge and the relevant Priority of Payments.

(e) **Principal Amount Outstanding and Note Factor**

On each Determination Date, the Issuer Cash Manager shall determine (i) the Principal Amount Outstanding of each Note on the next following Note Payment Date (after deducting any principal payment to be paid on such Note on that Note Payment Date) and (ii) the fraction (the "**Note Factor**"), the numerator of which is equal to the Principal Amount Outstanding of each Class of Notes immediately prior to such Note Payment Date and the denominator of which is equal to the aggregate Principal Amount Outstanding of all the Classes of Notes immediately prior to such Note Payment Date. Each determination by the Issuer Cash Manager of the

Principal Amount Outstanding of a Note and the Note Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The "**Principal Amount Outstanding**" of a Note on any date will be its face amount less the aggregate amount of principal repayments or prepayments made in respect of that Note since the Closing Date.

The Issuer (or the Issuer Cash Manager on its behalf) will cause each determination of a Principal Amount Outstanding and the Note Factor to be notified in writing forthwith to the Note Trustee, the Paying Agents, the Rating Agencies, the Agent Bank, the Servicer or the Special Servicer (as applicable) and (for so long as the Notes are listed on the Irish Stock Exchange) the Irish Stock Exchange and will cause notice of each determination of a Principal Amount Outstanding and the Note Factor to be given to the Noteholders in accordance with Condition 17 (*Notice to and Communication between Noteholders*) as soon as reasonably practicable thereafter.

If the Issuer (or the Issuer Cash Manager on its behalf) does not at any time for any reason determine a Principal Amount Outstanding or the Note Factor in accordance with the preceding provisions of this Condition 6(e) (*Redemption and Cancellation – Principal Amount Outstanding and Note Factor*), such Principal Amount Outstanding and the Note Factor may be determined by the Note Trustee, in accordance with this Condition 6(e) (*Redemption and Cancellation – Principal Amount Outstanding and Note Factor*), and each such determination or calculation shall be conclusive and shall be deemed to have been made by the Issuer or the Issuer Cash Manager, as the case may be and the Note Trustee shall have no liability in respect thereof.

(f) **Notice of Redemption**

Any such notice as is referred to in Condition 6(c) (*Redemption and Cancellation - Optional Redemption for Tax or Other Reasons*), above shall be irrevocable and, upon the expiry of such notice, the Issuer shall be bound to redeem the Notes of the relevant Class in the amounts specified in these Conditions. As soon as reasonably practicable after becoming aware that the same will occur, the Issuer will cause notice of redemption of the Notes of each Class to be given to the Irish Stock Exchange (for so long as the Notes are listed on the Irish Stock Exchange).

(g) **Cancellation**

All Notes redeemed in full pursuant (for the avoidance of doubt, including any Deferred Note Extension Amounts) to the foregoing provisions will be cancelled forthwith and may not be resold or re-issued.

(h) **No Purchase by Issuer**

The Issuer will not purchase any of the Notes.

(i) **Notice to Interest Rate Swap Counterparty**

The Issuer Cash Manager shall notify the Interest Rate Swap Counterparty promptly upon the Issuer Cash Manager giving or receiving any notice in connection with any redemption of all of the Notes by the Issuer.

7. **PAYMENTS**

(a) **Global Notes**

On and after the Exchange Date, no payment will be made on a Temporary Global Note unless exchange for an interest in the corresponding Permanent Global Note is improperly withheld or refused. Payments of principal and interest in respect of any Global Note will be made only against presentation (and, in the case of final redemption of a Global Note or in circumstances where the unpaid principal amount of the relevant Global Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Global Note) surrender) of such Global Note at the Specified Office of the Principal Paying Agent. A record of each payment so made, distinguishing between payments of principal and payments of interest and, in the case of partial payments, of the amount of each partial payment will be endorsed on

the schedule to the relevant Global Note by or on behalf of the relevant Paying Agent, which endorsement shall be *prima facie* evidence that such payment has been made.

Subject to Condition 7(b) (*Payments - Definitive Notes*) interest will be paid to the holder (or the first named if joint holders) at the close of business on the Business Day before the due date for payment thereof (the "**Record Date**")

(b) **Definitive Notes**

Payments of principal and interest (except where, after such payment, the unpaid principal amount of the relevant Note would be reduced to zero (including as a result of any other payment of principal due in respect of such Note), in which case the relevant payment of principal or interest, as the case may be, will be made against surrender of such Note) in respect of Definitive Notes, will be made to the holder of a Definitive Note upon presentation of the relevant Definitive Note(s) at the Specified Office of the Principal Paying Agent not later than the Record Date for payment in respect of such Definitive Note or by transfer to a Euro denominated account nominated in writing by the payee to the Principal Paying Agent and maintained with a branch of a bank in London not later than the due date for such payment. Any such application for transfer to such account shall be deemed to relate to all future payments in respect of such Definitive Note until such time as the Principal Paying Agent is notified in writing to the contrary by the holder thereof.

For the purposes of this Condition 7(b) (*Payments - Definitive Notes*), in respect of a holder of a Definitive Note, the Record Date will be deemed to be the fifteenth Business Day before the due date for such payment.

(c) **Laws and Regulations**

Payments of principal, interest and premium (if any) in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.

(d) **Overdue Principal Payments**

If repayment 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 4(a) (*Period of Accrual*) will be paid against presentation of such Note at the specified office of any Paying Agent, and in the case of any Definitive Note, will be paid in accordance with Condition 7(b) (*Payments - Definitive Notes*).

(e) **Change of Agents**

The Principal Paying Agent is Elavon Financial Services Limited, London Branch at its offices at 125 Old Broad Street, London EC2N 1AR. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent and the Agent Bank and to appoint additional or other Agents. 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 to the Noteholders in accordance with Condition 17 (*Notice to and Communication between Noteholders*). The Issuer will maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to European Union Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to such Directive.

(f) **Presentation on Non-Business Days**

If any Note is presented (if required) for payment on a day which is not a business day in the place where it is so presented, payment shall be made on the next succeeding day that is a business day (unless such business day falls in the next succeeding calendar month in which event the immediately preceding business day) and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Note. For the purposes of Condition 5 (*Redemption and Cancellation*) and this Condition 7 (*Payments*), "**business day**" shall mean, in relation to any place, a day on which commercial banks and foreign exchange markets settle payments in that place.

(g) **Accrual of Interest on Late Payments**

If any payment of interest, principal or any other amount in respect of any Class of the Notes is not made when due and payable (other than because the due date is not a business day (as defined in Condition 7(f) (*Payments - Presentation on Non-Business Days*)) or by reason of non-compliance with Condition 7(a) (*Payments - Global Notes*) or Condition 7(b) (*Payments - Definitive Notes*)), then such unpaid amount shall itself bear interest at the applicable Rate of Interest to (but excluding) the date on which payment in full of the relevant unpaid amount (together with interest accrued thereon) is made and notice thereof has been duly given to the Noteholders in accordance with Condition 17 (*Notice to and Communication between Noteholders*), **provided that** such unpaid amount and interest thereon are, in fact, paid.

(h) **Incorrect Payments**

The Issuer Cash Manager will (on behalf of the Issuer), from time to time, notify Noteholders in accordance with the terms of Condition 17 (*Notice to and Communication between Noteholders*) of any over-payment or under-payment of which it has actual notice made on any Note Payment Date to any party entitled to the same pursuant to the Pre-Enforcement Revenue Priority of Payment or the Pre-Enforcement Loan Repayment Failure Priority of Payments (in respect of amounts relating to payments of interest), as applicable. Following the giving of such a notice, the Issuer Cash Manager shall rectify such over-payment or under-payment by increasing or, as the case may be decreasing payments to the relevant parties on any subsequent Note Payment Date. For the avoidance of doubt, in respect of any such under-payment, Condition 4(c) (*Deferral of Interest*) shall continue to apply. Any notice of over-payment or under-payment pursuant to this Condition shall contain reasonable details of the amount of the same, the relevant parties and the adjustments to be made to future payments to rectify the same. Neither the Issuer nor the Issuer Cash Manager shall have any liability to any person for making any such correction.

8. **TAXATION**

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

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts in connection with FATCA. Neither the Issuer nor any Paying Agent will have any obligation to pay additional amounts or otherwise indemnify a holder or any other person for any withholding deducted or withheld by any party on account of FATCA as a result of any person not receiving payments free of FATCA withholding.

"**FATCA**" means the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), any inter-governmental agreement or implementing legislation adopted by another jurisdiction or any agreement with the US Internal Revenue Service in connection with these provisions.

9. **PRESCRIPTION**

Claims for principal in respect of Global Certificates shall become void unless the relevant Global Certificates are presented for payment within ten years of the appropriate relevant date. Claims for interest in respect of Global Certificates shall become void unless the relevant Global Certificates are presented for payment within five years of the appropriate relevant date.

Claims for principal and interest in respect of Individual Certificates shall become void unless made within ten years, in the case of principal, and five years, in the case of interest, of the appropriate relevant date.

In this Condition 9 (*Prescription*), the "**relevant date**" means the date on which a payment first becomes due, but if the full amount of the moneys payable has not been received by the relevant Paying Agent or the Note Trustee on or prior to such date, it means the date on which the full amount of such moneys shall have been so received, and notice to that effect shall have been duly given to the Noteholders in accordance with Condition 17 (*Notice to and Communication between Noteholders*).

10. **NOTE EVENTS OF DEFAULT**

(a) **Events**

If any of the events mentioned in sub-paragraphs (A) to (E) inclusive below (each such event being, a "**Note Event of Default**") shall occur and be continuing, the Note Trustee at its absolute discretion may, and if either:

- (i) so requested in writing by the holders of Notes outstanding constituting not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; or
- (ii) so directed by or pursuant to an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding,

shall, subject to the Note Trustee being indemnified and/or secured and/or prefunded to its satisfaction, give notice (a "**Note Acceleration Notice**") to the Issuer and the Issuer Security Trustee (with a copy to the Interest Rate Swap Counterparty) declaring all the Notes to be immediately due and repayable and the Issuer Security enforceable:

- (A) default is made for a period of three days in the payment of the principal of, or default is made for a period of five days in the payment of Regular Interest when due on the Class A Notes and the Class B Notes and, if the Class A Notes and the Class B Notes have been redeemed the then Most Senior Class of Notes then outstanding, in each case when and as the same becomes due and payable in accordance with these Conditions; or
- (B) the Issuer defaults in the performance or observance of any other obligation binding upon it under the Notes of any Class, the Note Trust Deed, the Issuer Security Documents or the other Issuer Transaction Documents to which it is party and, in any such case (except where the Note Trustee certifies that, in its opinion, such default is incapable of remedy when no notice will be required), such default continues for a period of 14 days (or such longer period as the Note Trustee may permit) 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 is referred to in Condition 10(a)(D) (*Note Events of Default – Events*) below, ceases or, consequent upon a resolution of the board of directors of the Issuer, threatens to cease to carry on business or a substantial part of its business or the Issuer is or is deemed unable to pay its debts as and when they fall due; or
- (D) an order is made or an effective resolution is passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Note Trustee in writing or by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding; or
- (E) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, examinership, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order, the filing of documents with the court for the appointment of an administrator or the service of a notice to appoint an administrator) 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 the appointment of an administrator takes effect

or an administrative receiver or other receiver, liquidator, examiner or other similar official shall be appointed (or formal notice is given of an intention of appoint an administrator) in relation to the Issuer or any part of its undertaking, property or assets, or an encumbrancer shall take possession of all or any part of the undertaking, property or assets of the Issuer, or a distress, execution, diligence or other process shall be levied or enforced upon or sued against all or any part of the undertaking, property or assets of the Issuer and such appointment, possession or process is not discharged or does not otherwise cease to apply within 15 days, or the Issuer (or the shareholders of 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 or a composition or similar arrangement with its creditors generally or takes steps with a view to obtaining a moratorium in respect of any of the indebtedness of the Issuer, **provided that** in the case of each of the events described in Condition 10(a)(B) (*Note Events of Default – Events*) 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 and notice of such certification shall have been given to the Noteholders in accordance with Condition 17 (*Notice to and Communication with Noteholders*).

(b) **Effect of Note Acceleration Notice**

Upon the giving of a Note Acceleration Notice in accordance with Condition 10(a) (*Note Events of Default – Events*) all Classes of the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Note Trust Deed and the Issuer Security shall become enforceable, subject, in the case of the Issuer German Security Agreement, to the applicable requirements of German law.

11. **ENFORCEMENT**

At any time after a Note Acceleration Notice has been given, the Note Trustee may at its discretion and without notice:

- (A) take such proceedings and/or other action or steps against or in relation to the Issuer or any other person as it may think fit to enforce the provisions of the Notes, the Note Trust Deed, these Conditions and the other Issuer Transaction Documents to which it is a party; and
- (B) direct the Issuer Security Trustee to take such steps as it may think fit to enforce the Issuer Security,

but neither the Note Trustee nor the Issuer Security Trustee shall be bound to take any such proceedings, actions or steps unless it is directed to do so (i) by an Extraordinary Resolution of the Noteholders of the Most Senior Class of Notes or (ii) by a notice in writing signed by the holders of Notes outstanding constituting at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; and it has been indemnified and/or secured and/or prefunded to its satisfaction.

12. **LIMITED RECOURSE AND NON-PETITION**

If at any time following:

- (a) the occurrence of either:
 - (i) the Final Maturity Date or any earlier date upon which all of the Notes of each class are due and payable; or
 - (ii) the service of a Note Acceleration Notice; and
- (b) Realisation of the Charged Property and application in full of any amounts available to pay amounts due and payable under the Notes in accordance with the applicable Priority of Payments; and

the proceeds of such Realisation are insufficient, after payment of all other claims ranking in priority in accordance with the applicable Priority of Payments, to pay in full all amounts then due and payable under any class of Notes then the amount remaining to be paid (after such application in full of the amounts first referred to in (b) above) under such class of Notes (and any class of Notes junior to that class of Notes) shall, on the day following such application in full of the amounts referred to in (b) above, cease to be due and payable by the Issuer. For the purposes of this Condition 12 (*Limited Recourse and Non-Petition*), "**Realisation**" means, in relation to any Charged Property, the deriving, to the fullest extent practicable, of proceeds from or in respect of such Charged Property including (without limitation) through sale or through performance by an obligor in accordance with the provisions of the Issuer Transaction Documents.

Only the Note Trustee may pursue the remedies available under applicable law, under the Issuer Deed of Charge and under the Issuer Transaction Documents to enforce the rights of the Issuer Secured Creditors against the Issuer and no other Issuer Secured Creditor or Noteholder shall be entitled to proceed directly against the Issuer. In particular, none of the Issuer Secured Creditors or Noteholders (nor any person on its or their behalf, other than the Note Trustee where appropriate) are entitled:

- (a) otherwise than as permitted by these Conditions, to direct the Note Trustee to enforce the Issuer Security or take any proceedings against the Issuer to enforce the Issuer Security;
- (b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to such Issuer Secured Creditors or Noteholders; or
- (c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any Insolvency Proceeding in relation to the Issuer; or
- (d) to take or join in the taking of any steps or proceedings which would result in the Priorities of Payments not being observed.

"**Final Discharge Date**" means the date on which the Note Trustee notifies the Issuer and the Issuer Secured Creditors that it is satisfied that all the secured amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full.

"**Insolvency Proceedings**" means any winding-up, dissolution or administration (whether by court action or otherwise) of a company and shall be construed so as to include any equivalent or analogous proceedings under the law of any jurisdiction including the seeking of liquidation, winding-up, reorganisation, dissolution, administration (whether by court action or otherwise), arrangement, adjustment, protection or relief of debtors.

13. **NOTE MATURITY PLAN**

If any Loans remains outstanding on the date which is six months prior to the Final Maturity Date, the Special Servicer will be required to prepare a Note Maturity Plan and present the same to the Issuer, the Note Trustee and the Issuer Security Trustee no later than 45 days after such date, together with a statement of whether, in the opinion of the Special Servicer, all recoveries then anticipated by the Special Servicer with respect to the Loans (whether by enforcement of the Transaction Security or otherwise) are likely to be realised in full prior to the Final Maturity Date of the Notes. At least one proposal provided by the Special Servicer must be that the Issuer Security Trustee, at the cost of the Issuer, will engage a financial expert to advise the Issuer Security Trustee as to the enforcement of the Issuer Security.

Upon receipt of the draft Note Maturity Plan, the Note Trustee will convene, at the cost of the Issuer, a meeting of the Noteholders at which the Noteholders will have the opportunity to discuss the various proposals contained in the Note Maturity Plan with the Special Servicer. Following such meeting, if the Special Servicer is of the opinion that the Loans are unlikely to be realised in full prior to the Final Maturity Date, the Special Servicer shall reconsider the Note Maturity Plan and make modifications thereto to address the views of Noteholders (subject to the

Servicing Standard) following which it shall provide a final Note Maturity Plan to the Issuer, the Noteholders, the Note Trustee and the Issuer Security Trustee.

Upon receipt of the final Note Maturity Plan, the Note Trustee will convene, at the cost of the Issuer, a meeting of the Noteholders of the Most Senior Class of Notes outstanding at which the Noteholders of the Most Senior Class of Notes will be requested to select their preferred option among the proposals set forth in the final Note Maturity Plan. The Special Servicer will, notwithstanding any other provision of the Servicing Agreement or requirement to act in accordance with the Servicing Standard, implement the proposal that receives the approval of the holders of the Most Senior Class of Notes then outstanding by way of Ordinary Resolution. If no option receives the approval of the holders of the Most Senior Class of Notes then outstanding at such meeting, then the Issuer Security Trustee will be deemed to be directed by all of the Noteholders to appoint a receiver in order to realise the Charged Property in accordance with the Issuer Deed of Charge **provided that** it will have no obligation to do so if it shall not have been indemnified and/or secured and/or prefunded to its satisfaction.

14. **MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER, SUBSTITUTION AND TERMINATION OF CERTAIN ISSUER RELATED PARTIES**

- (a) The Note Trust Deed contains provisions for convening meetings of each Class of Noteholders and meetings of all the Noteholders to consider any matter affecting their interests including the sanctioning by Extraordinary Resolution or Ordinary Resolution, as appropriate, of, among other things, the removal of the Note Trustee, the Issuer Security Trustee, the Servicer, the Special Servicer, the Issuer Cash Manager, the Issuer Account Bank, the Agent Bank, the Principal Paying Agent or the Issuer Corporate Services Provider and a modification of the Notes or the Note Trust Deed (including these Conditions) or the provisions of any of the other Issuer Transaction Documents.
- (b) These provisions allow the Issuer, the Note Trustee, the Issuer Cash Manager, the Servicer or the Special Servicer to convene Noteholder meetings for any purpose including consideration of Extraordinary Resolutions or Ordinary Resolutions and **provided that** at least 14 clear days' (or, in the case of an adjourned meeting at least 7 clear days') notice of such meeting be given to Noteholders in accordance with Condition 17 (*Notice to and Communication between Noteholders*). The Note Trustee shall be obliged to convene a meeting of Noteholders of any Class or Classes of the Noteholders if requested to do so in writing by the holders of Notes outstanding constituting at least ten per cent. of the Principal Amount Outstanding of the Notes of the relevant Class or Classes outstanding.
- (c) An Extraordinary Resolution or an Ordinary Resolution of the Class A Noteholders shall be binding on all the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders irrespective of the effect upon them, except that no Extraordinary Resolution to sanction a modification (including a Basic Terms Modification) of, or a waiver or authorisation of any breach or proposed breach of, any of the provisions of, the Note Trust Deed, these Conditions or any of the other Issuer Transaction Documents passed at any meeting of, or passed in writing by, the Class A Noteholders shall take effect unless such modification, waiver or authorisation shall have been sanctioned by an Extraordinary Resolution of each of the Class B Noteholders, the Class C Noteholders, the Class D Noteholders and the Class E Noteholders.
- (d) An Extraordinary Resolution (other than as referred to in Condition 14(c) (*Meetings Of Noteholders, Modification And Waiver, Substitution And Termination Of Certain Issuer Related Parties*)) or an Ordinary Resolution of the Class B Noteholders shall not be effective for any purpose unless one of the following conditions is satisfied:
 - (i) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders (and for greater certainty, an Extraordinary Resolution (other than as referred to in Condition 14(c) (*Meetings Of Noteholders, Modification And Waiver, Substitution And Termination Of Certain Issuer Related Parties*)) relating to a Basic Terms Modification shall be materially prejudicial to the interests of the Class A Noteholders); or

- (ii) it is sanctioned by an Extraordinary Resolution or, in the case of an Ordinary Resolution, an Ordinary Resolution of the Class A Noteholders; or
- (iii) none of the Class A Notes remains outstanding,

subject thereto, an Extraordinary Resolution or an Ordinary Resolution of the Class B Noteholders shall be binding on the Class C Noteholders, the Class D Noteholders and the Class E Noteholders irrespective of the effect on them, except that no Extraordinary Resolution to sanction a modification (including a Basic Terms Modification) of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of the Note Trust Deed, these Conditions or any of the other Issuer Transaction Documents passed at any meeting of the Class B Noteholders shall take effect unless such modification, waiver or authorisation shall have been sanctioned by an Extraordinary Resolution of each of the Class C Noteholders, the Class D Noteholders and the Class E Noteholders.

- (e) An Extraordinary Resolution (other than as referred to in Condition 14(c) (*Meetings Of Noteholders, Modification And Waiver, Substitution And Termination Of Certain Issuer Related Parties*) or 14(d)) (*Meetings Of Noteholders, Modification And Waiver, Substitution And Termination Of Certain Issuer Related Parties*) or an Ordinary Resolution of the Class C Noteholders shall not be effective for any purpose unless one of the following conditions is satisfied:

- (i) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of each of the Class A Noteholders and the Class B Noteholders (and for greater certainty, an Extraordinary Resolution (other than as referred to in Condition 14(c) (*Meetings Of Noteholders, Modification And Waiver, Substitution And Termination Of Certain Issuer Related Parties*) or 14(d) (*Meetings Of Noteholders, Modification And Waiver, Substitution And Termination Of Certain Issuer Related Parties*)) relating to a Basic Terms Modification shall be materially prejudicial to the interests of the Class A Noteholders and the Class B Noteholders); or
- (ii) it is sanctioned by an Extraordinary Resolution or, in the case of an Ordinary Resolution, an Ordinary Resolution of each of the Class A Noteholders and the Class B Noteholders; or
- (iii) none of the Class A Notes and Class B Notes remains outstanding,

subject thereto, an Extraordinary Resolution or an Ordinary Resolution of the Class C Noteholders shall be binding on the Class D Noteholders and the Class E Noteholders, irrespective of the effect on them, except that no Extraordinary Resolution to sanction a modification (including a Basic Terms Modification) of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of the Note Trust Deed, these Conditions or any of the other Issuer Transaction Documents passed at any meeting of the Class C Noteholders shall take effect unless such modification, waiver or authorisation shall have been sanctioned by an Extraordinary Resolution of the Class D Noteholders and the Class E Noteholders.

- (f) An Extraordinary Resolution (other than as referred to in Condition 14(c) or 14(d) or 14(e) (*Meetings Of Noteholders, Modification And Waiver, Substitution And Termination Of Certain Issuer Related Parties*)) or an Ordinary Resolution of the Class D Noteholders shall not be effective for any purpose unless one of the following conditions is satisfied:

- (i) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders (and for greater certainty, an Extraordinary Resolution (other than as referred to in Condition 14(c) or 14(d) or 14(e) (*Meetings Of Noteholders, Modification And Waiver, Substitution And Termination Of Certain Issuer Related Parties*)) relating to a Basic Terms Modification shall be materially prejudicial to the interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders);

- (ii) it is sanctioned by an Extraordinary Resolution or, in the case of an Ordinary Resolution, an Ordinary Resolution of each of the Class A Noteholders, the Class B Noteholders or the Class C Noteholders; or
- (iii) none of the Class A Notes or the Class B Notes and the Class C Notes remains outstanding.

subject thereto, an Extraordinary Resolution or an Ordinary Resolution of the Class D Noteholders shall be binding on the Class E Noteholders, irrespective of the effect on them, except that no Extraordinary Resolution to sanction a modification (including a Basic Terms Modification) of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of the Note Trust Deed, these Conditions or any of the other Issuer Transaction Documents passed at any meeting of the Class D Noteholders shall take effect unless such modification, waiver or authorisation shall have been sanctioned by an Extraordinary Resolution of the Class E Noteholders.

- (g) An Extraordinary Resolution (other than as referred to in Condition 14(c) or 14(d) or 14(e) (*Meetings Of Noteholders, Modification And Waiver, Substitution And Termination Of Certain Issuer Related Parties*)) or an Ordinary Resolution of the Class E Noteholders shall not be effective for any purpose unless one of the following conditions is satisfied:
 - (i) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders (and for greater certainty, an Extraordinary Resolution (other than as referred to in Condition 14(c) or 14(d) or 14(e) (*Meetings Of Noteholders, Modification And Waiver, Substitution And Termination Of Certain Issuer Related Parties*)) relating to a Basic Terms Modification shall be materially prejudicial to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders);
 - (ii) it is sanctioned by an Extraordinary Resolution or, in the case of an Ordinary Resolution, an Ordinary Resolution of each of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders or the Class D Noteholders; or
 - (iii) none of the Class A Notes or the Class B Notes or the Class C Notes and the Class D Notes remains outstanding.
- (h) Subject as provided below, the quorum at any meeting of the Noteholders (or of any Class of Noteholders) or persons present holding voting certificates or being proxies, for passing an Extraordinary Resolution or an Ordinary Resolution shall be one or more persons holding or representing Notes outstanding constituting not less than 50.1 per cent. in Principal Amount Outstanding of the Notes or the Notes of such Class or, at any adjourned meeting, one or more persons being or representing Noteholders (or Noteholders of such Class) holding or representing Notes outstanding whatever the Principal Amount Outstanding of Notes outstanding or, as the case may be, the Notes of such Class outstanding so held or represented.
- (i) The quorum at any meeting of the Noteholders of any Class for passing an Extraordinary Resolution that would have the effect of sanctioning:
 - (i) a modification of the date of maturity of any Class of Notes;
 - (ii) a change in the amount of principal or the rate of interest payable in respect of any Class of Notes;
 - (iii) a modification of the method of calculating the amount payable or the date of payment in respect of any interest or principal in respect of any Class of Notes;
 - (iv) any alteration of the currency of payment of any Class of Notes;
 - (v) a release of the Issuer Security or modification of any provisions in respect of any of the Issuer Security (or any part thereof) other than in accordance with the Issuer Transaction Documents;

- (vi) a modification to clause 12 (*Operating Advisor*) of the Servicing Agreement; or
- (vii) a modification of this definition of "**Basic Terms Modification**" or the quorum or majority required to effect a Basic Terms Modification,

(each, a "**Basic Terms Modification**" except, in each case, as set out in the final Note Maturity Plan delivered to the Noteholders pursuant to Condition 13 (*Note Maturity Plan*)) shall be one or more persons holding Notes outstanding or voting certificates in respect thereof or proxies representing not less than 75 per cent. of the Principal Amount Outstanding of the Notes of the relevant Class for the time being outstanding, or at any adjourned such meeting, not less than 33 1/4 per cent. of the Principal Amount Outstanding of the Notes of the relevant Class for the time being outstanding. Where a Basic Terms Modification is included in the final Note Maturity Plan delivered to the Noteholders pursuant to Condition 13 (*Note Maturity Plan*), such Basic Terms Modification shall be approved in accordance with Condition 13 (*Note Maturity Plan*).

- (j) Pursuant to the Issuer Transaction Documents (other than the Servicing Agreement), the implementation of certain matters will or may (at the request of the Note Trustee), be subject to the receipt of written confirmation from each Rating Agency then rating the Notes that the then current ratings of each Class of Notes rated thereby will not be qualified, downgraded or withdrawn as a result of such modification, it being acknowledged that there is no obligation on any Rating Agency to provide any such confirmation (a "**Rating Agency Confirmation**"). Any request for a Rating Agency Confirmation shall be given in electronic form to the relevant Rating Agency or Rating Agencies. If any Rating Agency then rating the Notes either: (i) does not respond to a request to provide a Rating Agency Confirmation within 10 Business Days after such request is made; or (ii) provides a waiver or acknowledgement indicating its decision not to review or otherwise declining to review the matter for which the Rating Agency Confirmation is sought, the requirement for the Rating Agency Confirmation from the relevant Rating Agency with respect to such matter will be deemed not to be applicable for such matter and the Note Trustee, the Issuer Security Trustee, the Servicer and the Special Servicer shall not be liable for any losses Noteholders may suffer as a result.
- (k) For the purposes of determining (i) the quorum at any meeting of Noteholders considering an Extraordinary Resolution or an Ordinary Resolution or the majority of votes cast at such meeting; (ii) the holders of Notes for the purposes of giving any direction to the Note Trustee (or any other party); or (iii) the majorities required for any Written Resolution, the voting or directing rights attaching to any Notes held by (or in relation to which the exercise of the right to vote is directed or otherwise controlled by (I) the Issuer or any Affiliate of the Issuer (II) any member of the Borrower Group (each such person falling within (I) or (II) above a "**Disenfranchised Holder**") shall not be exercisable by such Disenfranchised Holder, and such Notes shall be treated as if they were not outstanding and shall not be counted in or towards any required quorum or majority.

"**Affiliate**" means with respect to any specified entity, any other entity controlling or controlled by or under common control with such entity. For the purposes of this definition, "**control**" when used with respect to any specified entity means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "**controlling**" and "**controlled**" have meanings correlative to the foregoing.

"**Borrower Group**" means GAGFAH, any majority shareholder, its subsidiaries and Affiliates.

- (l) Notwithstanding any provision to the contrary in these Conditions, the Note Trust Deed or the other Issuer Transaction Documents, at any time that any of the Notes remains outstanding, where the Noteholders of any Class are required to consent or provide directions with respect to a modification of, or waiver or consent in relation to, the Finance Documents by Ordinary Resolution or Extraordinary Resolution, it will be a condition precedent to the implementation of such modification, waiver or consent that each person who voted or counted in the quorum in any meeting of any Class of Noteholders, or otherwise provided any such consent or direction provides a confirmation that it was not, at the time of such vote, quorum, consent or direction a Disenfranchised Holder.

- (m) An Extraordinary Resolution or an Ordinary Resolution passed at any meeting or duly signed by the required majority of Noteholders (or any Class thereof) shall be binding on all Noteholders (or, as the case may be, all Noteholders of such Class) whether or not they are present at such meeting or signed such resolution.

- (n) **Negative Consent**

The Issuer, the Note Trustee, the Issuer Cash Manager, the Servicer or the Special Servicer may propose an Extraordinary Resolution or an Ordinary Resolution of the Noteholders or any Class of Noteholders relating to any matter for consideration and approval by Negative Consent by the Noteholders or the Noteholders of such Class, other than:

- (i) an Extraordinary Resolution relating to a Basic Terms Modification;
- (ii) an Ordinary Resolution relating to a Note Maturity Plan;
- (iii) the waiver of any Note Event of Default
- (iv) the acceleration of the Notes; or
- (v) the enforcement of the Issuer Security.

"**Negative Consent**" means, in relation to an Extraordinary Resolution (other than an Extraordinary Resolution relating to a Basic Terms Modification, an Ordinary Resolution relating to a Note Maturity Plan, the waiver of any Note Event of Default, the acceleration of the Notes or the enforcement of the Issuer Security) or an Ordinary Resolution of the Noteholders, the process whereby such Extraordinary Resolution or Ordinary Resolution shall be deemed to be duly passed and shall be binding on all of the Noteholders or the Noteholders of such Class of Notes (as the case may be) in accordance with its terms where:

- (I) notice of such Extraordinary Resolution or Ordinary Resolution, as applicable, (including the full text of the same) has been given by the Issuer, the Note Trustee, the Issuer Cash Manager, the Servicer or the Special Servicer to the Noteholders or the Noteholders of such Class of Notes in accordance with the provisions of Condition 17 (*Notice to and Communication between Noteholders*);
- (II) such notice contains a statement:
 - (A) requiring such Noteholders to inform the Note Trustee in writing if they object to such Extraordinary Resolution or Ordinary Resolution, stating that unless holders of (i) in the case of an Extraordinary Resolution, Notes outstanding constituting 25 per cent. or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class outstanding; or (ii) in the case of an Ordinary Resolution, Notes outstanding constituting 50 per cent. or more in aggregate Principal Amount Outstanding of the Notes outstanding or the Notes of such Class, makes such objection, the Extraordinary Resolution or Ordinary Resolution will be deemed to be passed by the Noteholders or the Noteholders of such Class; and
 - (B) specifying the requirements for the making of such objections (including addresses, email addresses and deadlines) as further set out in the following paragraph; and
- (III) holders of:
 - (A) in the case of an Extraordinary Resolution, Notes outstanding constituting 25 per cent. or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class (as the case may be); or
 - (B) in the case of an Ordinary Resolution, Notes outstanding constituting 50 per cent. or more in aggregate Principal Amount Outstanding of the Notes or the Notes of such Class,

have not informed the Note Trustee in writing of their objection to such Extraordinary Resolution or Ordinary Resolution within 30 days of the date of the relevant notice.

Any notice containing the text of an Extraordinary Resolution or an Ordinary Resolution shall (i) in all cases also be delivered through the systems of Bloomberg L.P. (or such other medium as may be approved in writing by the Note Trustee) by the Issuer, the Note Trustee, the Issuer Cash Manager, the Servicer or the Special Servicer, and (ii) for so long as any Notes are listed in the Irish Stock Exchange, be made available to any Regulatory Information Service maintained by the Irish Stock Exchange.

(o) **Modifications and Waivers**

The Note Trustee may agree or may direct the Issuer Security Trustee to agree, without the consent of the Noteholders of any Class or the DACs holders (but without prejudice to Condition 14(r) (*Meetings Of Noteholders, Modification And Waiver, Substitution And Termination Of Certain Issuer Related Parties*)):

- (i) to any modification (except a Basic Terms Modification) of the Notes, the DACs, the Note Trust Deed (including these Conditions) or any of the other Issuer Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of the holders of any Class of Notes (for so long as any of the Notes remains outstanding); or
- (ii) to any modification of the Notes, the DACs, the Note Trust Deed (including these Conditions) or any of the other Issuer Transaction Documents which, in the opinion of the Note Trustee, is:
 - (A) to correct a manifest error; or
 - (B) to comply with mandatory provisions of law; or
 - (C) of a formal, minor or technical nature.

The Note Trustee may also without the consent or sanction of the Noteholders, the DACs holders and without prejudice to its rights in respect of any subsequent breach, condition, event or act from time to time and at any time but only if and in so far as in its opinion the interests of the Noteholders of each Class of Notes are not materially prejudiced (for so long as any of the Notes remains outstanding), waive or authorise, or direct the Issuer Security Trustee to waive or authorise, on such terms and subject to such conditions as it shall deem fit and proper, any breach or proposed breach by the Issuer or any other party thereto of any of the covenants or provisions contained in the Note Trust Deed (including these Conditions) or in any other Issuer Transaction Documents (which, for the avoidance of doubt, shall include payment by the Issuer Cash Manager of moneys standing to the credit of the Issuer Transaction Account other than in accordance with the provisions of the Issuer Deed of Charge) or determine that any condition, event or act which constitutes a Note Event of Default or Potential Note Event of Default shall not be treated as such for the purposes of the Note Trust Deed (including these Conditions).

The Note Trustee shall, without the consent or sanction of any of the Noteholders, the DACs holders or any other Issuer Secured Creditor, concur with the Issuer, and/or direct the Issuer Security Trustee to concur with the Issuer, in making any modification to the Issuer Transaction Documents and/or the Conditions and/or the DACs Conditions that are requested by the Issuer in order to comply with any criteria of the Rating Agencies which may be published after the Closing Date and which modifications: (i) the Issuer certifies to the Note Trustee and the Issuer Security Trustee in writing are required to avoid a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to any Class of the Notes; or (ii) in respect of the Interest Rate Swap Agreement, the Interest Rate Swap Counterparty obtains (at its sole cost and expense), a Rating Agency Confirmation from both Fitch and DBRS and delivers a copy of such Rating Agency Confirmations to the Note Trustee and the Issuer Security Trustee which confirms that such modifications to the Interest Rate Swap Agreement will not result in a downgrade, withdrawal or suspension of the then current ratings assigned by a Rating Agency to any Class of the Notes **provided that** the Note Trustee and the Issuer Security Trustee shall not

be obliged to agree to any modification which, in the sole opinion of the Note Trustee and the Issuer Security Trustee, as applicable, would have the effect of (i) exposing the Note Trustee and the Issuer Security Trustee, as applicable, to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction or (ii) adding to or increasing the obligations, liabilities or duties, or decreasing the protections, of the Note Trustee and the Issuer Security Trustee, as applicable in respect of the Notes, in the Issuer Transaction Documents and/or the Conditions and/or the DACs Conditions. Such modifications may include, without limitation, modifications which would allow the Interest Rate Swap Counterparty and/or the Liquidity Facility Provider not to post collateral in circumstances where it previously would have been obliged to do so.

Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified by the Issuer to the Noteholders and the DACs holders as soon as practicable thereafter in accordance with Condition 17 (*Notice to and Communication between Noteholders*).

Notwithstanding anything to the contrary herein and in the Note Trust Deed, the Issuer shall not agree to amend, modify or supplement any provisions of the Issuer Transaction Documents if such change shall have a material adverse effect on the rights of the Interest Rate Swap Counterparty without the Interest Rate Swap Counterparty's prior written consent.

(p) **Direction of Most Senior Class of Note**

The Note Trustee shall not exercise such powers of waiver, authorisation or determination (including for the purposes of complying with Rating Agency Criteria) in contravention of any express written direction given by holders of the Most Senior Class of Notes then outstanding or by an Ordinary Resolution of the Noteholders of the Most Senior Class of Notes then outstanding (**provided that** no such direction or restriction shall affect any authorisation, waiver or determination previously made or given).

(q) **Conflicts**

Where the Note Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions, to have regard to the interests of the Noteholders or, as the case may be, the Noteholders of any Class, it shall have regard to the interests of such Noteholders as a Class and, in particular, but without prejudice to the generality of the foregoing, the Note Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Note Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer or the Note Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(r) **Note Trustee Discretions**

The Note Trustee shall be entitled to determine, in its own opinion, for the purposes of exercising any power, trust, authority, duty or discretion under or in relation to the Notes, the Conditions or any of the Issuer Transaction Documents, that such exercise will not be materially prejudicial to the interests of the Noteholders or any Class of Noteholders and in making such a determination shall be entitled to take into account, without enquiry, among any other things it may in its absolute discretion consider necessary and/or appropriate, any Rating Agency Confirmation (if available) in respect of such exercise. For the avoidance of doubt, such Rating Agency Confirmation or non-receipt of such Rating Agency Confirmation shall, however, not be construed to mean that any such action or inaction (or contemplated action or inaction) or such exercise (or contemplated exercise) by the Note Trustee of any right, power, trust, authority, duty or discretion under or in relation to the Notes, the Conditions or any of the Issuer Transaction Documents is not materially prejudicial to the interests of holders of that Class of Notes.

(s) **Substitution of Issuer**

The Note Trustee may, without the consent of the Noteholders, the DACs holders or any other Issuer Secured Creditor, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute) as the principal debtor in respect of the Notes of another body corporate (being a single purpose vehicle) **provided that** each Rating Agency provides a Rating Agency Confirmation (it being acknowledged that there is no obligation on any Rating Agency to provide any such confirmation) prior to such substitution taking place and subject to satisfaction of certain other conditions set out in the Note Trust Deed (or suitable arrangements being put in place to ensure satisfaction of such conditions). In the case of substitution of the Issuer, for so long as the Notes are listed on the Irish Stock Exchange and its rules so require, the Irish Stock Exchange shall be notified by the Issuer of such substitution, a supplemental Prospectus will be prepared by the new principal debtor and filed with the Irish Stock Exchange and notice of the substitution will be given to the Noteholders and the DACs holders by the Issuer in accordance with Condition 17 (*Notice to and Communication between Noteholders*).

(t) Where, for the purposes of these Conditions, the Note Trustee or any other party to the Issuer Transaction Documents requires a Noteholder holding Notes through Euroclear or Clearstream, Luxembourg to establish its holding of the Notes to the satisfaction of such party, such holding shall be considered to be established if such Noteholder provides to the requesting party:

- (i) a Euclid Statement (in the case of Euroclear) or a Creation Online Statement (in the case of Clearstream, Luxembourg) in each case providing confirmation at the time of issue of the same of such person's holding in the Notes;
- (ii) if the relevant Notes are held through one or more custodians, a signed letter from each such custodian confirming on whose behalf it is holding such Notes such that the Note Trustee is able to verify to its satisfaction the chain of ownership to the beneficial owner; and,
- (iii) any other evidence of holding of the relevant Notes in a form acceptable to the Note Trustee.

If in connection with verifying its holding the Note Trustee requires a Noteholder to temporarily block its Notes in Euroclear or Clearstream, Luxembourg, such Noteholder will be required to instruct Euroclear or Clearstream, Luxembourg (via its custodian, if applicable) to do so.

15. **INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND ISSUER SECURITY TRUSTEE**

The Note Trust Deed, the Issuer Security Documents, the Servicing Agreement and certain of the other Issuer Transaction Documents contain provisions for indemnification of each of the Note Trustee and the Issuer Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action including taking proceedings against the Issuer and/or any other person unless indemnified and/or secured and/or prefunded to their satisfaction.

Each of the Note Trustee and the Issuer Security Trustee or any of their Affiliates are entitled to enter into business transactions with the Issuer, the other Issuer Secured Creditors or any of their respective subsidiaries or associated companies without accounting for any profit resulting therefrom.

16. **REPLACEMENT OF GLOBAL CERTIFICATES AND INDIVIDUAL CERTIFICATES**

If any Global Note or Definitive Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer, the Paying Agent or the Note Trustee may reasonably require. Mutilated or defaced Global Certificates or Individual Certificates must be surrendered before replacements will be issued.

17. **NOTICE TO AND COMMUNICATION BETWEEN NOTEHOLDERS**

- (a) All notices, other than notices given in accordance with paragraphs (b) to (e) (inclusive) of this Condition 17 (*Notice to and Communication between Noteholders*), to Noteholders shall be deemed to have been validly given if:
- (i) for so long as the Notes are listed on a stock exchange, and the rules of such stock exchange or any applicable regulation so require, or at the option of the Issuer, if delivered through the announcements section of the relevant stock exchange and a regulated information service maintained or recognised by such stock exchange; and
 - (ii) for so long as the Notes are represented by Global Certificates, and if, for so long as the Notes are listed on a stock exchange, the rules of such stock exchange so allow if delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled account holders; or
 - (iii) for so long as the Notes are represented by Global Certificates and if, for so long as the Notes are listed on a stock exchange, rules of such stock exchange so allow if delivered to the electronic communications systems maintained by Bloomberg L.P. for publication on the relevant page for the Notes or such other medium for the electronic display of data as may be previously approved in writing by the Note Trustee; or
 - (iv) if the Notes are in definitive form, if published in a leading daily newspaper printed in the English language and with general circulation in Ireland (which is expected to be The Irish Times) or, if that is not practicable, in such English language newspaper or newspapers as the Note Trustee shall approve having a general circulation in Ireland and the rest of Europe.

Any such notice shall be deemed to have been given on:

- (i) in the case of a notice delivered to the regulated information service of a stock exchange, the day on which it is delivered to such stock exchange;
 - (ii) in the case of a notice delivered to Euroclear and/or Clearstream, Luxembourg, the day on which it is delivered to Euroclear and/or Clearstream, Luxembourg;
 - (iii) in the case of a notice delivered to Bloomberg L.P., the day on which it is delivered to Bloomberg L.P.; and
 - (iv) in the case of a notice published in a newspaper, 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.
- (b) If it is impossible or impractical to give notice in accordance with paragraphs (i), (ii) or (iii) of Condition 17 (*Notice to and Communication between Noteholders*), then notice of the relevant matters shall be given in accordance with paragraph (iv) of Condition 17 (*Notice to and Communication between Noteholders*).
- (c) A copy of each notice given in accordance with this Condition 17 (*Notice to and Communication between Noteholders*) shall be provided to Fitch and DBRS for so long as, in each case, such rating agency publishes credit ratings in relation to the Notes the "**Rating Agencies**") to which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer, with the prior written approval of the Note Trustee, to provide a credit rating in respect of the Notes or any Class thereof). For the avoidance of doubt, and unless the context otherwise requires, all references to "**rating**" and "**ratings**" in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies.
- (d) The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and **provided that** notice of such other method is given to the

Noteholders in such manner as the Note Trustee shall require. The Note Trustee shall give notice to the Noteholders in accordance with this Condition 17 (*Notice to and Communication between Noteholders*) of any additions to, deletions from or alterations to such methods from time to time.

- (e) Any Verified Noteholder shall be entitled from time to time to request the Issuer Cash Manager to post a notice on its investor reporting website requesting other Verified Noteholders of any Class or Classes to contact it subject to and in accordance with the following provisions.

For these purposes, "**Verified Noteholder**" means a Noteholder which has satisfied the Issuer Cash Manager that it is a Noteholder in accordance with Condition 14(r) (*Meetings of Noteholders, Modification and Waiver, Substitution and Termination of Certain Issuer Related Parties*).

Following receipt of a request for the publication of a notice from a Verified Noteholder (the "**Initiating Noteholder**"), the Issuer Cash Manager shall publish such notice on its investor reporting website as an addendum to any Issuer Cash Manager Quarterly Report or other report to Noteholders due for publication within 5 Business Days of receipt of the same (or, if there is no such report, through a special notice for such purpose as soon as is reasonably practical after receipt of the same) **provided that** such notice contains no more than:

- (i) an invitation to other Verified Noteholders (or any specified Class or Classes of the same) to contact the Initiating Noteholder;
- (ii) the name of the Initiating Noteholder and the address, phone number, website or email address at which the Initiating Noteholder can be contacted; and
- (iii) the date(s) from, on or between which the Initiating Noteholder may be so contacted.

The Issuer Cash Manager shall not request any further or different information through this mechanism.

The Issuer Cash Manager shall have no responsibility or liability for the contents, completeness or accuracy of any such published information and shall have no responsibility (beyond publication of the same in the manner described above) for ensuring Noteholders receive the same.

18. **CONTROLLING CLASS**

The Controlling Class may from time to time appoint by way of an Ordinary Resolution not more than one Noteholder of such class to be their representative for the purposes of this Condition (each such person, an "**Operating Advisor**").

Any Operating Advisor so appointed will have the rights set forth in the Servicing Agreement. Any Operating Advisor shall, unless instructed to the contrary in writing by the majority of persons who constitute the Controlling Class, be entitled in its sole discretion to exercise all of the rights given to it pursuant to the Servicing Agreement as it sees fit.

The appointment of any Operating Advisor shall not take effect until it notifies the Issuer, the Note Trustee, the Issuer Security Trustee, the Servicer and the Special Servicer in writing (attaching a copy of the relevant Ordinary Resolution) of its appointment.

The Controlling Class may by Ordinary Resolution (notified in writing to the Note Trustee, the Issuer Security Trustee, the Servicer and the Special Servicer) terminate the appointment of any Operating Advisor. Any Operating Advisor may retire by giving not less than 21 days' notice in writing to the Noteholders of the Controlling Class (in accordance with the terms of Condition 17 (*Notice to and Communication Between Noteholders*), the Note Trustee, the Issuer Security Trustee, the Servicer and the Special Servicer).

The most junior Class of Notes outstanding shall be the "**Controlling Class**" if at the relevant time it meets the Controlling Class Test. A Class of Notes will meet the "**Controlling Class Test**" if it has not been repaid in full at such time and for which a Control Valuation Event is not continuing.

A "**Control Valuation Event**" will occur with respect to any class of Notes if and for so long as: (a) the difference between (1) the sum of (i) the then Principal Amount Outstanding of such class of Notes and (ii) the then Principal Amount Outstanding of all classes of Notes ranking junior to such class; and (2) the sum of (i) any Valuation Reduction Amounts with respect to the Loans; and (ii) without duplication, losses realised with respect to any enforcement of security in respect of the Properties, is less than (b) 25 per cent. of the then Principal Amount Outstanding of such class of Notes.

A "**Valuation Reduction Amount**" with respect to the Loans will be an amount equal to the excess of:

- (i) the aggregate outstanding principal balance of the Loans over
- (ii) the excess of:
 - (A) 90 per cent. of the sum of the values set forth in the most recent valuation of the Properties excluding the values of any Properties no longer held by the Borrowers as at the testing date above
 - (B) the sum of:
 - (1) all unpaid interest on the Loans;
 - (2) any other unpaid fees, expenses and other amounts that are payable prior to amounts payable to the Issuer under the Loans; and
 - (3) all currently due and unpaid ground rents and insurance premia and all other amounts due and unpaid with respect to the Loans.

If the most junior class of Notes outstanding does not meet the Controlling Class Test, the next most junior Class of Notes outstanding that does meet the Controlling Class Test will be the Controlling Class.

If no Class of Notes has a principal amount outstanding that satisfies this requirement, then the Controlling Class will be the most senior Class of Notes then outstanding. For the avoidance of doubt, the Principal Amount Outstanding of a Class of Notes for the purposes of calculating the Controlling Class Test shall be the Principal Amount Outstanding of such Class less any Valuation Reduction Amounts that have been applied to that Class.

The Servicer shall determine which Class of Notes meets the Controlling Class Test and shall notify the Issuer, the Note Trustee and the Issuer Security Trustee accordingly.

Each Noteholder acknowledges and agrees, by its purchase of the Notes, that:

- (i) the Operating Advisor may have special relationships and interests that conflict with those of the holders of one or more classes of the Notes;
- (ii) the Operating Advisor may act solely in the interests of the Controlling Class;
- (iii) the Operating Advisor does not have any duties to any Noteholders other than the Controlling Class;
- (iv) the Operating Advisor may take actions that favour the interests of the Noteholders of the Controlling Class over the interests of the other Noteholders;
- (v) the Operating Advisor will not be deemed to have been negligent or reckless, or to have acted in bad faith or engaged in wilful misconduct, by reason of its having acted solely in the interests of the Controlling Class; and
- (vi) the Operating Advisor will have no liability whatsoever for having acted solely in the interests of the Controlling Class, and no holder of any other Class of Notes may take any action whatsoever against the Operating Advisor for having so acted.

19. **PRIVITY OF CONTRACT**

The Notes do not confer any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of the Notes, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

20. **GOVERNING LAW AND JURISDICTION**

(a) **Governing Law**

The Issuer Transaction Documents and the Notes, and any non-contractual obligation arising from or in connection with them, will be governed by, and shall be construed in accordance with, English law (other than Issuer German Security Agreement which is governed by German law).

(b) **Jurisdiction**

The courts of England are to have exclusive jurisdiction to settle any dispute that may arise out of or in connection with the Note Trust Deed, the Issuer Deed of Charge, the Notes and the other Issuer Transaction Documents. The Issuer has in each of the Issuer Transaction Documents to which it is a party irrevocably submitted to the jurisdiction of the English courts.

TERMS AND CONDITIONS OF THE DEFERRED ARRANGEMENT FEE CERTIFICATES

The following are the terms and conditions of the DACs in the form in which they shall be set out in the Note Trust Deed. While the DACs remain in global form, the same terms and conditions govern such DACs, except to the extent that they are appropriate only to DACs in definitive form.

The DACs of Taurus 2013 (GMF1) plc (the "**Issuer**") are constituted by a note trust deed dated on or about 16 May 2013 (the "**Closing Date**") (the "**Note Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between the Issuer and U.S. Bank Trustees Limited (the "**Note Trustee**", which expression includes its successors or any further or other trustee under the Note Trust Deed) as trustee for the holders for the time being of the DACs and are subject to these terms and conditions (the "**DACs Conditions**") and any reference to "**DACs Condition**" shall be construed accordingly.

The security for the DACs is created pursuant to, and on the terms set out in, by a deed of charge dated on or about the Closing Date (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 an assignment agreement dated on or about the Closing Date (the "**Issuer German Security Agreement**", and together with the Issuer Deed of Charge and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified, the "**Issuer Security Documents**") and made in each case between, among others, the Issuer and U.S. Bank Trustees Limited (the "**Issuer Security Trustee**", which expression includes its successors or any other trustee under the Issuer Security Documents). By an agency agreement dated on or about the Closing Date (the "**Agency Agreement**", which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer, the Note Trustee, U.S. Bank Trustees Limited in its separate capacities under the same agreement as principal paying agent (the "**Principal Paying Agent**", which expression includes any other principal paying agent appointed in respect of the DACs), the registrar in relation to the DACs (the "**Registrar**") and the agent bank (the "**Agent Bank**", which expression includes any other agent bank appointed in respect of the DACs) (the Principal Paying Agent being, together with any further or other paying agents for the time being appointed in respect of the Notes, the "**Paying Agents**") and, together with the Registrar and the Agent Bank, the "**Agents**"), provision is made for, among other things, the payment of amounts on the DACs.

The DACs holders and all persons claiming through them or under the DACs are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Note Trust Deed, the Issuer Deed of Charge, the Agency Agreement and the other Issuer Transaction Documents.

The provisions of these DACs Conditions include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Agency Agreement, the Issuer Security Documents, the Cash Management Agreement, the Issuer Account Bank Agreement, the Liquidity Facility Agreement, the Interest Rate Swap Agreement, the Issuer Corporate Services Agreement, the Servicing Agreement, the Servicing Agreement the Share Declaration of Trust and the Incorporated Terms Memorandum (as defined below).

Copies of the Note Trust Deed, the Agency Agreement, the Issuer Security Documents, the Cash Management Agreement, the Issuer Account Bank Agreement, the Interest Rate Swap Agreement (and confirmations entered into in relation thereto), the Liquidity Facility Agreement, the Issuer Corporate Services Agreement, the Servicing Agreement and the Incorporated Terms Memorandum (as defined below) are available for inspection at 35 Great St. Helen's, London EC3A 6AP or during business hours at the registered office for the time being of the Note Trustee, being at the date hereof at 125 Old Broad Street, London EC2N 1AR and at the specified office of each of the Paying Agents or electronically on reasonable request.

Capitalised terms used and not otherwise defined in these DACs Conditions shall bear the meanings given to them in a Incorporated Terms Memorandum dated the Closing Date entered into between, *inter alios*, the Issuer, the Note Trustee, the Issuer Security Trustee, the Servicer, the Special Servicer, the Issuer Corporate Services Provider, the Interest Rate Swap Counterparty and the Issuer Cash Manager (as the same may be amended, varied and supplemented from time to time) (the "**Incorporated Terms Memorandum**").

1. FORM, DENOMINATION AND TITLE

The DACs will be represented by a global deferred arrangement fee certificate in registered form (the "**Global Deferred Arrangement Fee Certificate**"). The Global Deferred Arrangement Fee Certificate will on issue be deposited by the Issuer in satisfaction of its obligation to issue the DACs to the Arranger with a common depositary (the "**Common Depositary**") for Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") and Euroclear Bank S.A./N.V. ("**Euroclear**") on the Closing Date. Upon deposit of the Global Deferred Arrangement Fee Certificate, Euroclear will credit the Arranger with the amount of DACs equal to the aggregate amount thereof for which it has been issued. Interests in each Global Deferred Arrangement Fee Certificate are exchangeable for Definitive Deferred Arrangement Fee Certificates, as described below. The person registered in the Register as the holder of any Global Deferred Arrangement Fee Certificate or Definitive Deferred Arrangement Fee Certificate shall (except as otherwise required by law) be treated as its absolute owner for all purposes (including the making of any payment) whether or not any payment 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. The Global Deferred Arrangement Fee Certificate will only be exchangeable for Definitive Deferred Arrangement Fee Certificates in certain limited circumstances described below.

For so long as any DACs are represented by a Global Deferred Arrangement Fee Certificate, interests in such DACs will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.

If, while any of the DACs are represented by a Global Deferred Arrangement Fee Certificate: (i) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so and no other clearing system acceptable to the Note Trustee is then in existence, or (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation or administration of such laws or regulations which change becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will on the next Payment Date be required to make any deduction or withholding from any payment in respect of such DACs which would not be required were such DACs in definitive form, or (iii) the Issuer provides written notice to the Common Depositary five Business Days prior to the first Note Payment Date that it has not received from Her Majesty's Revenue and Customs confirmation (in form and substance satisfactory to the Issuer) that it will be entitled to make payments on the DACs without being required to deduct an amount of United Kingdom income tax, then the Issuer will issue "**Definitive Deferred Arrangement Fee Certificates**" in respect of the DACs and the whole outstanding interest in the Global Deferred Arrangement Fee Certificate will be cancelled (A), in relation to (i) and (ii) above, on the day falling 30 days after the occurrence of the relevant event; and (B), in relation to (iii), two Business Days before the First Note Payment Date.

Ten Definitive Deferred Arrangement Fee Certificates will be issued in registered form.

The "**holder**" of any DACs shall (to the fullest extent permitted by applicable laws) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such DAC, as the case may be, regardless of any notice of ownership, theft or loss, of any trust or other interest therein or of any writing thereon and no person shall be liable for so treating such holder.

References to "**DACs**" in these DACs Conditions shall include the Global Deferred Arrangement Fee Certificate and the Definitive Deferred Arrangement Fee Certificates.

2. STATUS, SECURITY AND PRIORITY

(a) Status and Relationship among the DACs

- (i) The DACs constitute direct, unconditional, limited recourse and secured obligations of the Issuer and are secured by the Issuer Security (as more particularly described in this DACs Condition 2 and in DACs Condition 10 (*Limited Recourse and Non-Petition*) below).

- (ii) The DACs rank *pari passu* without preference or priority amongst themselves.
- (iii) The DACs are obligations solely of the Issuer and are not obligations of, or guaranteed by any of the other Issuer Related Parties.

(b) **Security and Priority of Payments**

As security for its obligations under, *inter alia*, the DACs pursuant to the Issuer Deed of Charge, the Issuer has granted the following security in favour of the Issuer Security Trustee for itself and on trust for the Noteholders, the DACs holders and the Issuer Related Parties (the "**Issuer Security Trustee**" and all of such persons being collectively, the "**Issuer Secured Creditors**"):

- (i) Pursuant to the Issuer Deed of Charge:
 - (A) an assignment by way of first fixed security of the Issuer's rights, title, interest and benefit, present and future, in, under and pursuant to the Issuer Transaction Documents (subject to any right of set-off or netting provided for under the Interest Rate Swap Agreement), the Finance Documents (other than any Finance Document governed by German law), the Transaction Security (other than any Transaction Security governed by German law) and all other contracts, agreements and deeds present and future, to which the Issuer is or may become a party or in respect of which it may have the benefit, including all reports, valuations and opinions (other than any Issuer Security Document);
 - (B) a first fixed charge over the Issuer's rights, title, interest and benefit both present and future in and to all sums of money or securities which are from time to time and at any time standing to the credit of the Issuer Bank Accounts and any other bank, securities or other account opened and maintained in England and Wales and in which the Issuer may at any time acquire any right, title, interest or benefit or otherwise place and hold its cash or securities, resources, and in the funds or securities from time to time standing to the credit of such accounts and in the debts represented thereby;
 - (C) a first fixed charge in and to the Issuer's rights, title, interest and benefit, present and future in and to all Permitted Investments made by or on behalf of the Issuer using moneys standing to the credit of the Stand-by Account including without limitation and to the extent not already stated above, all rights to receive payment of all amounts thereunder, all moneys, income and proceeds payable and/or paid thereunder or arising or accrued in respect thereof, the benefit of all covenants relating thereto, all rights of action in respect thereof and all powers and all rights and remedies for enforcing the same; and
 - (D) a first ranking floating charge over the whole of the undertaking of the Issuer and all its property and assets whatsoever and wheresoever situate, present and future (other than those subject to the fixed charges set out in paragraphs (A) to (C) above and those subject to the Issuer German Security Agreement).
- (ii) Pursuant to the Issuer German Security Agreement, an assignment by way of security (*Sicherungabtretung*) of the Issuers' rights, claims and interest against, *inter alia*, the Borrower Security Trustee arising in connection with the German law Finance Documents and Transaction Security, collectively with (i) above, the "**Issuer Security**".

The Issuer Deed of Charge contains provisions regulating the priority of application of the Issuer Security (and the proceeds thereof) by the Issuer Cash Manager among the persons entitled thereto prior to the service of a Note Acceleration Notice or the Issuer Security otherwise becoming enforceable and the Issuer Deed of Charge contains provisions regulating such application by the Issuer Security Trustee after the service of a Note Acceleration Notice or the Issuer Security becoming otherwise enforceable.

If the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Issuer Security Trustee will not be entitled

to dispose of the undertaking, property or assets secured under the Issuer Security or any part thereof or otherwise realise the Issuer Security unless:

- (iii) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes; or
- (iv) the Issuer Security Trustee is of the opinion, which shall be binding on the Noteholders and the DACs holders, reached after considering at any time and from time to time the advice of such professional advisers as are selected by the Issuer Security Trustee, upon which the Issuer Security Trustee shall be entitled to rely, that the cashflow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes; or
- (v) the Issuer Security Trustee considers, in its discretion, that not to effect such disposal or realisation would place the Issuer Security in jeopardy, and, in any event, the Issuer Security Trustee has been indemnified and/or secured and/or prefunded to its satisfaction.

3. COVENANTS

Except with the prior written consent of the Note Trustee or unless otherwise provided in the Transaction Documents (as defined in the Incorporated Terms Memorandum), the Issuer will covenant that, so long as the Class A Notes remain outstanding it will not amend the DACs or alter their position in the relevant Priorities of Payment.

4. DACS PAYMENTS AND DAC EXIT PAYMENT AMOUNT

(a) Right to DACs Payments

Each DAC confers a *pro rata* entitlement to receive a DACs Payment. DACs Payments are payable in Euro on each Note Payment Date commencing on the First Note Payment Date.

"DACs Payments" shall be computed as follows:

$$(D\% \times A \times DCF) + \text{Shortfall}$$

where:

"D%" means, the rate of 1.15 per cent. per annum on each of the Interest Determination Dates up to and including the DAC Final Payment Date and after the DAC Final Payment Date, zero;

"A" means, the aggregate Principal Amount Outstanding in respect of the Class A Notes as at immediately after the application of any Amortisation Funds on the preceding Note Payment Date (or, in respect of the first Note Payment Date, as at such date);

"Shortfall" means, where there were insufficient funds to allow the Issuer to pay the aggregate amount of the DACs Payment Amount and the DACs LPI Amount due on the immediately preceding Note Payment Date, the shortfall between such aggregate amount and such funds on such Note Payment Date;

"DCF" means Actual/360,

and such amount will be the "DACs Payment Amount".

(b) Right to DACs Late Payment Interest

Each DAC confers a *pro rata* entitlement to receive DACs Late Payment Interest (if any). DACs Late Payment Interest (if any) is payable in Euro on each Note Payment Date commencing on the First Note Payment Date.

DACs Late Payment Interest shall be computed as follows:

$$\text{Shortfall} \times \text{Late Payment Interest Rate} \times \text{DCF}$$

where:

"**Shortfall**" and "**DCF**" have the meanings ascribed to them in DACs Condition 4(a) (*Right to DACs Payments*) above; and

"**DACs Late Payment Interest Rate**" means 1.15 per cent. per annum,

and such amount will be the "**DACs LPI Amount**".

(c) **Right to DAC Exit Payment Amount**

An "**Exit Fee**" is payable by the Borrowers in accordance with the prepayment provisions in the Facility Agreement.

Any surplus amount of Exit Fee paid under the Loan which is not allocated as an Exit Payment Amount on the Notes in accordance with the Conditions will be paid, *pro rata*, to the holders of the DACs (the "**DAC Exit Payment Amount**").

(d) **Calculation of DACs Payment Amount, DACs LPI Amount and DAC Exit Payment Amount**

Upon or as soon as practicable prior to any Note Payment Date, the Issuer shall calculate (or shall cause the Issuer Cash Manager to calculate) the DACs Payment Amount, DACs LPI Amount or DAC Exit Payment Amount payable on each DAC for the related Note Payment Date.

(e) **Notification of DACs Payment Amount, DACs LPI Amount, DAC Exit Payment Amount and Note Payment Date**

As soon as practicable:

- (i) prior to each Note Payment Date, the Issuer Cash Manager will cause the DACs Payment Amount, DACs LPI Amount and DAC Exit Payment Amount for the related Note Payment Date; and
- (ii) after each Interest Determination Date, the Agent Bank will cause the Note Payment Date next following the related Interest Period,

to be notified to the Issuer, the Issuer Cash Manager (as applicable), the Note Trustee, the Issuer Security Trustee and the Principal Paying Agent.

(f) **Publication of DACs Payment Amount, DACs LPI Amount, DAC Exit Payment Amount and Note Payment Date**

As soon as practicable after receiving each notification of the DACs Payment Amount, DACs LPI Amount, DAC Exit Payment Amount and the Note Payment Date in accordance with DACs Condition 4(e) (*Notification of DACs Payment Amount, DACs LPI Amount, DAC Exit Payment Amount and Note Payment Date*) the Issuer will cause such DACs Payment Amount, DACs LPI Amount, DAC Exit Payment Amount and the next following Note Payment Date to be published in accordance with the DACs Condition 14 (*Notice to and Communication between DACs holders*). The Note Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of the date for such Note Payment Date changes in accordance with the definition of such term.

(g) **Determination and/or Calculation by the Note Trustee**

If neither the Issuer nor Issuer Cash Manager (as applicable) does not at any time for any reason determine the DACs Payment Amount, DACs LPI Amount or DAC Exit Payment Amount in accordance with this DACs Condition, the Note Trustee may (but without any liability accruing to the Note Trustee as a result) calculate the DACs Payment Amount, DACs LPI Amount and

DAC Exit Payment Amount in the manner specified in this DACs Condition and any such determination and/or calculation shall be deemed to have been made by the Issuer Cash Manager.

(h) **Termination of Payments**

Following realisation of the Issuer Security and payment of the proceeds thereof in accordance with the Priorities of Payments, no more DACs Payments or DAC Exit Payment Amounts will be made by the Issuer and the DACs shall be cancelled.

5. **PAYMENTS**

(a) **Record Date**

Each payment in respect of a DAC will be made to the person shown as the DAC holder in the Register at the opening of business in the place of the Registrar's specified office (as specified in the Agency Agreement) on the Record Date. Where payment in respect of a DAC is to be made by cheque, the cheque will be mailed to the address shown as the address of the DACs holder in the Register at the opening of business on the relevant Record Date. The person shown in the Register at the opening of business on the relevant Record Date in respect of a Global Deferred Arrangement Fee Certificate shall be the only person entitled to receive payments in respect of any DAC represented by such Global Deferred Arrangement Fee Certificate and the Issuer will be discharged by payment to, or to the order of, such person in respect of each amount so paid.

(b) **Payments subject to fiscal laws**

All payments in respect of the DAC are subject in each case to any applicable fiscal or other laws and regulations. No commissions or expenses shall be charged to the DACs in respect of such payments.

(c) **Payments on Business Days**

If the due date for payment of any amount in respect of any DAC is not a Business Day, then the holder shall not be entitled to payment until the next succeeding Business Day and no further payments of additional amounts shall be due in respect of such DAC.

(d) **Notifications to be final**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this DACs Condition, whether by the Issuer Cash Manager, the Paying Agents, the Agent Bank or the Note Trustee shall be binding on the Issuer and all DACs holders and no liability to the Note Trustee or the DACs holders shall attach to the Issuer Cash Manager, the Agents, or the Note Trustee in connection with the exercise or non exercise by them or any of them of their powers, duties and discretions under this DACs Condition 5.

6. **TAXATION**

All payments in respect of the DACs 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 relevant Paying Agent is required by applicable law in any jurisdiction to make any payment in respect of the DACs subject to any such withholding or deduction. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to holders of DACs in respect of such withholding or deduction.

Notwithstanding any other provision in these Conditions, the Issuer shall be permitted to withhold or deduct any amounts in connection with FATCA. Neither the Issuer nor any Paying Agent will have any obligation to pay additional amounts or otherwise indemnify a holder or any other person for any withholding deducted or withheld by any party on account of FATCA as a result of any person not receiving payments free of FATCA withholding.

"**FATCA**" means the rules of U.S. Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions), any inter-governmental agreement or implementing legislation adopted by another jurisdiction or any agreement with the US Internal Revenue Service in connection with these provisions.

7. **PRESCRIPTION**

Claims for DACs Payments in respect of DACs shall become void unless made within five years of the appropriate relevant date.

In this DACs Condition 7 (*Prescription*), the "**relevant date**" means the date on which a payment first becomes due, but if the full amount of the moneys payable has not been received by the relevant Paying Agent or the Note Trustee on or prior to such date, it means the date on which the full amount of such moneys shall have been so received, and notice to that effect shall have been duly given to the DACs holders in accordance with DACs Condition 14 (*Notice to and Communication between DACs holders*).

8. **DACS EVENTS OF DEFAULT**

For the avoidance of doubt, the DACs carry no right to trigger a Note Event of Default or to deliver a Note Acceleration Notice and failure to make any payment in relation to the DACs will not constitute a Note Event of Default.

9. **ENFORCEMENT**

For the avoidance of doubt, the DACs holders shall have no right to procure the enforcement of the Issuer Security or to direct the Note Trustee to enforce its rights under the Note Trust Deed.

10. **LIMITED RECOURSE AND NON-PETITION**

Only the Note Trustee may pursue the remedies available under applicable law, under the Issuer Deed of Charge and under the Issuer Transaction Documents to enforce the rights of the Issuer Secured Creditors against the Issuer and no other Issuer Secured Creditor, Noteholder or DACS holder shall be entitled to proceed directly against the Issuer. In particular, none of the Issuer Secured Creditors, Noteholders or DACs holders (nor any person on its or their behalf, other than the Note Trustee where appropriate) are entitled:

- (a) otherwise than as permitted by these DACs Conditions, to direct the Note Trustee to enforce the Issuer Security or take any proceedings against the Issuer to enforce the Issuer Security;
- (b) to take or join any person in taking any steps against the Issuer for the purpose of obtaining payment of any amount due from the Issuer to such Issuer Secured Creditors, Noteholders or DACs holders; or
- (c) until the date falling two years after the Final Discharge Date, to initiate or join any person in initiating any Insolvency Proceeding in relation to the Issuer; or
- (d) to take or join in the taking of any steps or proceedings which would result in the Priorities of Payments not being observed.

"**Final Discharge Date**" means the date on which the Note Trustee notifies the Issuer and the Issuer Secured Creditors that it is satisfied that all the secured amounts and/or all other moneys and other liabilities due or owing by the Issuer have been paid or discharged in full.

"**Insolvency Proceedings**" means any winding-up, dissolution or administration (whether by court action or otherwise) of a company and shall be construed so as to include any equivalent or analogous proceedings under the law of any jurisdiction including the seeking of liquidation, winding-up, reorganisation, dissolution, administration (whether by court action or otherwise), arrangement, adjustment, protection or relief of debtors.

11. **SUBSTITUTION OF THE ISSUER AND VOTING RIGHTS**

(a) **Substitution of Issuer**

The Note Trustee may, without the consent of the Noteholders, the DACs holders or any other Issuer Secured Creditor, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute) as the principal debtor in respect of the Notes of another body corporate (being a single purpose vehicle) **provided that** each Rating Agency provides a Rating Agency Confirmation (it being acknowledged that there is no obligation on any Rating Agency to provide any such confirmation) prior to such substitution taking place and subject to satisfaction of certain other conditions set out in the Note Trust Deed (or suitable arrangements being put in place to ensure satisfaction of such conditions). In the case of substitution of the Issuer, for so long as the Notes are listed on the Irish Stock Exchange and its rules so require, the Irish Stock Exchange shall be notified by the Issuer of such substitution, a supplemental Prospectus will be prepared by the new principal debtor and filed with the Irish Stock Exchange and notice of the substitution will be given to the Noteholders and the DACs holders by the Issuer in accordance with Condition 17 (*Notice to and Communication between Noteholders*) and DACs Condition 14 (*Notice to and Communication between DACs holders*).

(b) **No voting rights**

The DACs will have no voting rights.

The Note Trustee will be obliged to have regard to the interests of the Noteholders and the DACs holders when exercising any of its powers, duties, rights, discretions and authorities, save that (other than as stated below), where the Note Trustee is of the opinion that there is or may be a conflict between the interests of the Noteholders and the DACs holders, the Note Trustee will only be obliged to have regard to the interests of the Noteholders.

However, at no time shall the Issuer and/or the Note Trustee be permitted to amend the DACs Conditions or alter the position of the DACs in the relevant Priorities of Payment.

12. **INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE AND ISSUER SECURITY TRUSTEE**

The Note Trust Deed, the Issuer Security Documents, the Servicing Agreement and certain of the other Issuer Transaction Documents contain provisions for indemnification of each of the Note Trustee and the Issuer Security Trustee and for their relief from responsibility, including provisions relieving them from taking any action including taking proceedings against the Issuer and/or any other person unless indemnified and/or secured and/or prefunded to their satisfaction.

Each of the Note Trustee and the Issuer Security Trustee or any of their Affiliates are entitled to enter into business transactions with the Issuer, the other Issuer Secured Creditors or any of their respective subsidiaries or associated companies without accounting for any profit resulting therefrom.

13. **REPLACEMENT OF GLOBAL DEFERRED ARRANGEMENT FEE CERTIFICATE AND DEFINITIVE DEFERRED ARRANGEMENT FEE CERTIFICATES**

If any Global Deferred Arrangement Fee Certificate or Definitive Deferred Arrangement Fee Certificate is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer, the Paying Agent or the Note Trustee may reasonably require. A mutilated or defaced Global Deferred Arrangement Fee Certificate or Individual Deferred Arrangement Fee Certificates must be surrendered before replacements will be issued.

14. **NOTICE TO AND COMMUNICATION BETWEEN DACS HOLDERS**

- (a) All notices, other than notices given in accordance with paragraphs (b) to (e) (inclusive) of this DACs Condition 14 (*Notice to and Communication between DACs holders*), to DACs holders shall be deemed to have been validly given if:
- (i) for so long as the DACs are represented by the Global Deferred Arrangement Fee Certificate, if delivered to Euroclear and/or Clearstream, Luxembourg for communication by them to their participants and for communication by such participants to entitled account holders; or
 - (ii) for so long as the DACs are represented by the Global Deferred Arrangement Fee Certificate, if delivered to the electronic communications systems maintained by Bloomberg L.P. for publication on the relevant page for the DACs or such other medium for the electronic display of data as may be previously approved in writing by the Note Trustee; or
 - (iii) if the DACs are in definitive form, if published in a leading daily newspaper printed in the English language and with general circulation in Ireland (which is expected to be The Irish Times) or, if that is not practicable, in such English language newspaper or newspapers as the Note Trustee shall approve having a general circulation in Ireland and the rest of Europe.

Any such notice shall be deemed to have been given on:

- (i) in the case of a notice delivered to Euroclear and/or Clearstream, Luxembourg, the day on which it is delivered to Euroclear and/or Clearstream, Luxembourg;
 - (ii) in the case of a notice delivered to Bloomberg L.P., the day on which it is delivered to Bloomberg L.P.; and
 - (iii) in the case of a notice published in a newspaper, 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.
- (b) If it is impossible or impractical to give notice in accordance with paragraphs (i), (ii) or (iii) of DACs Condition 14 (*Notice to and Communication between DACs holders*), then notice of the relevant matters shall be given in accordance with paragraph (iv) of DACs Condition 14 (*Notice to and Communication between DACs holders*).
- (c) The Note Trustee shall be at liberty to sanction some other method of giving notice to the DACs holders if, in its opinion, such other method is reasonable having regard to market practice then prevailing and **provided that** notice of such other method is given to the DACs holders in such manner as the Note Trustee shall require. The Note Trustee shall give notice to the DACs holders in accordance with this DACs Condition 14 (*Notice to and Communication between DACs holders*) of any additions to, deletions from or alterations to such methods from time to time.
- (d) Any Verified DACs holder shall be entitled from time to time to request the Issuer Cash Manager to post a notice on its investor reporting website requesting other Verified DACs holders to contact it subject to and in accordance with the following provisions.

For these purposes, "**Verified DACs holder**" means a DACs holder which has satisfied the Issuer Cash Manager that it is a DACs holder in accordance with DACs Condition 12 (*Meetings of DACs holders, Modification and Waiver, Substitution and Termination of Certain Issuer Related Parties*).

Following receipt of a request for the publication of a notice from a Verified DACs holder (the "**Initiating DACs holder**"), the Issuer Cash Manager shall publish such notice on its investor reporting website as an addendum to any Issuer Cash Manager Quarterly Report or other report to DACs holders due for publication within 5 Business Days of receipt of the same (or, if there is

no such report, through a special notice for such purpose as soon as is reasonably practical after receipt of the same) **provided that** such notice contains no more than:

- (i) an invitation to other Verified DACs holders to contact the Initiating DACs holder;
- (ii) the name of the Initiating DACs holder and the address, phone number, website or email address at which the Initiating DACs holder can be contacted; and
- (iii) the date(s) from, on or between which the Initiating DACs holder may be so contacted.

The Issuer Cash Manager shall not request any further or different information through this mechanism.

The Issuer Cash Manager shall have no responsibility or liability for the contents, completeness or accuracy of any such published information and shall have no responsibility (beyond publication of the same in the manner described above) for ensuring DACs holders receive the same.

15. **THIRD PARTY RIGHTS**

No person shall have any right to enforce any DACs Condition or any provision of the Note Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

16. **GOVERNING LAW AND JURISDICTION**

(a) **Governing Law**

The Issuer Transaction Documents and the DACs, and any non-contractual obligation arising from or in connection with them, will be governed by, and shall be construed in accordance with, English law (other than Issuer German Security Agreement which is governed by German law).

(b) **Jurisdiction**

The courts of England are to have exclusive jurisdiction to settle any dispute that may arise out of or in connection with the Note Trust Deed, the Issuer Deed of Charge, the DACs and the other Issuer Transaction Documents. The Issuer has in each of the Issuer Transaction Documents to which it is a party irrevocably submitted to the jurisdiction of the English courts.

FEES AND EXPENSES

Fees and expenses relating to the application for admission of the Notes to trading on the regulated market of the Irish Stock Exchange are expected to be approximately €6,500.

UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment in relation to payments of principal and interest in respect of the Notes and payments in respect of the DACs and of certain United Kingdom stamp duty and United Kingdom stamp duty reserve tax ("SDRT") matters relating to the issuance of, and dealings in, the Notes and DACs. It is based on current law and practice of Her Majesty's Revenue and Customs ("HMRC") which may be subject to change, sometimes with retrospective effect. The comments do not deal with other United Kingdom tax aspects of acquiring, holding or disposing of the Notes or the DACs or any other United Kingdom tax matter. The comments relate only to the position of persons who are absolute beneficial owners of the Notes or DACs. The summary set out below is a general guide and should be treated with appropriate caution. It is not intended as tax advice and it does not purpose to describe all of the tax considerations that may be relevant to a prospective purchasers. The United Kingdom tax treatment of prospective Noteholders and holders of the DACs depends on their individual circumstances and may be subject to change in the future. Prospective purchasers who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should consult their professional advisors. In particular, Noteholders and holders of the DACs 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 or DACs or transfers of the Notes or DACs even if such payments may be made without withholding or deduction for or on account of United Kingdom taxation or the Notes or DACs can be transferred without duty under the laws of the United Kingdom.

United Kingdom withholding tax on United Kingdom source interest on the Notes

The Notes issued by the Issuer will constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007 to the extent that they are and continue to be listed on a recognised stock exchange. Whilst the Notes are and continue to be quoted Eurobonds, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom Withholding Tax.

Notes will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.

The Irish Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the main market of that Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

In all other cases falling outside the exemption described above, an amount may be required to be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any direction to the contrary by HMRC under an applicable double taxation treaty or to any other exemption which may apply.

Other information relating to United Kingdom withholding tax on the Notes

Notes may be issued at an issue price of less than 100 per cent of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined in above.

Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.

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

The references to "**interest**" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which

may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation.

The above description of the United Kingdom withholding tax position assumes that there will be no substitution of the Issuer pursuant to Condition 14(s) (*Meetings of Noteholders, Modification and Waiver, Substitution and Termination of Certain Issuer Related Parties – Substitution of the Issuer*) of the Terms and Conditions of the Notes and does not consider the tax consequences of any such substitution.

United Kingdom withholding tax on payments on the DACs

Holders of the DACs should be aware that the Issuer intends to seek clarification from HMRC as to whether it will be required to withhold United Kingdom income tax (at a current rate of 20 per cent.) from payments which it makes on the DACs. If the Issuer has not received confirmation (in form and substance satisfactory to the Issuer) from HMRC at least 5 business days in advance of the first Note Payment Date that payments on the DACs may be made without withholding United Kingdom income tax, then it is expected that the Issuer will replace the Global Deferred Arrangement Fee Certificate with Definitive Deferred Arrangement Fee Certificates and that the Issuer will make payments on the DACs subject to withholding of United Kingdom income tax (at a current rate of 20 per cent.) save to the extent that a holder of Definitive Deferred Arrangement Fee Certificates is able to satisfy the Issuer that that holder is entitled to receive payments on its Definitive Deferred Arrangement Fee Certificates without such withholding (for example, because the holder of a Definitive Deferred Arrangement Fee Certificates benefits from an applicable exemption from United Kingdom withholding tax). If, on the other hand, the Issuer receives confirmation from HMRC that payments on the DACs may be made without withholding United Kingdom income tax then, subject to a subsequent change of United Kingdom law or HMRC practice, it will thereafter make payments on the DACs without such withholding to the extent provided for in that confirmation.

Provision of Information by United Kingdom Paying and Collecting Agents

Noteholders and holders DACs should note that, in certain circumstances, 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 or credits interest to or receives interest for the benefit of a Noteholder or a holder of DACs. In certain circumstances, the information so obtained may be passed by HMRC to the tax authorities of certain other jurisdictions.

Information may also be required to be reported in accordance with regulations made pursuant to the EU Savings Directive (see below).

EU Savings Directive

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

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

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

United Kingdom stamp duty and SDRT in relation to the issue and transfer of the Notes and DACs

Notes

No United Kingdom stamp duty or SDRT should be chargeable in connection with the issue of the Notes into Euroclear or Clearstream, Luxembourg or on any transfer or agreement to transfer any Note.

DACs

No SDRT should be chargeable on the issue of the DACs into Euroclear or Clearstream, Luxembourg or on any transfer or agreement to transfer any DAC.

No United Kingdom stamp duty should be chargeable on the issue of the Global Deferred Arrangement Fee Certificate into Euroclear or Clearstream, Luxembourg or the issue of any Definitive Deferred Arrangement Fee Certificate.

No United Kingdom stamp duty should be payable on any documentary agreement to transfer the full legal and beneficial interest in a DAC or on a transfer of an interest in the Global Deferred Arrangement Fee Certificate effected solely by electronic means.

United Kingdom stamp duty may be payable on any instrument transferring a Definitive Deferred Arrangement Fee Certificate or any interest in a Definitive Deferred Arrangement Fee Certificate (or on any memorandum of a transfer of a Definitive Deferred Arrangement Fee Certificate or any interest in a Definitive Deferred Arrangement Fee Certificate) and on any documentary agreement to transfer any interest in a DAC which falls short of a full legal and beneficial interest (or on any memorandum thereof).

GERMAN TAXATION

Federal Republic of Germany

This section summarizes certain major taxation principles under German tax law which are or may become relevant in connection with the acquisition, holding or transfer of the Notes. The information herein does not purport to be exhaustive or comprehensive and does not provide a complete explanation of all possible relevant withholding or any other tax issues in this area and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. The summary is based on current German tax law, including typical provisions from double taxation treaties ("DTT") concluded between the Federal Republic of Germany and other states. It should be considered that the current law may – under certain circumstances even retroactively – be changed.

Potential investors should consult their tax advisor with regard to tax consequences which may arise in connection with the purchase, receipt, holding and sale or transfer by way of inheritance or gift of the Notes. The same applies to rules regarding a potential refund of German withholding tax (Kapitalertragsteuer). The specific tax situations of the individual shareholder can only be considered in a sufficient manner by means of individual professional tax advice.

The Issuer does not assume responsibility for the withholding of German taxes at the source.

The following does assume that the German Investment Tax Act (*Investmentsteuergesetz*) does not apply to the Issuer and/or the Notes. With respect to the risk that the income under Notes could be subject to tax as income from an investment fund, reference is made to the section *Risk relating to German tax*.

German Tax Residents

This section refers to persons who are resident in Germany for German tax purposes, i.e. persons that have a residence (*Wohnsitz*), habitual abode (*gewöhnlichen Aufenthalt*), statutory seat (*Sitz*) or place of management and control in Germany (*Ort der Geschäftsleitung*)).

Persons resident in the Federal Republic of Germany are subject to income taxation (income tax or corporate income tax, as the case may be, and solidarity surcharge) on their worldwide income, regardless of its source, including interest from debt instruments, such as the Notes. Where the Notes form part of the assets of a German trade or business, interest income and capital gains will also be subject to trade tax.

Withholding Tax

If (i) Notes are held in a custodial account which the Noteholder maintains with a German credit institution or a German financial services institution, each as defined in the German Banking Act (*Gesetz über das Kreditwesen*) (including a German branch of a foreign credit institution or of a foreign financial services institution, but excluding a foreign branch of a German credit institution or a German financial services institution) or a German securities trading firm (*Wertpapierhandelsunternehmen*) or a German securities trading bank (*Wertpapierhandelsbanken*) or such entity executes the sale of the Notes or of interest coupons and (ii) the relevant custodian pays or credits the relevant payments under the Notes (a "**German Paying Agent**", *auszahlende Stelle*) the German Paying Agent would withhold or deduct German withholding tax at a rate of 26.375 per cent. (including solidarity surcharge). If an individual Noteholder is subject to church tax, upon written application of the individual Noteholder, the German Paying Agent is obliged to withhold also church tax. If the resident Holder by means of a written application chooses that the church tax should be taken into account within the withholding tax procedure by the German Paying Agent, the flat tax is to be reduced by 25 per cent. of the church tax applying to the respective taxable income. Such reduced withholding tax amount is the assessment base for the church tax to be withheld by the German Paying Agent.

The above treatment would also apply to any capital gains from the Notes by the relevant individual Noteholder. A capital gain would be calculated on the difference between the proceeds from the disposal, redemption, repayment, transfer, sale or assignment after deduction of expenses directly related to the disposal, redemption, repayment, transfer, sale or assignment and the acquisition cost provided the Notes have been held in a custodial account with the same German Paying Agent since the relevant Noteholder acquired the Notes. If interest coupons or interest claims are disposed separately without the Notes, the proceeds from such separate disposal are subject to withholding tax. In case the Notes have been

disposed separately the same applies to proceeds from the redemption of interest coupons or interest claims.

In case the relevant Noteholder transfers the Notes to another custodial account after their acquisition, the initial German Paying Agent has to inform the new German Paying Agent about the acquisition costs of the Notes, otherwise 30 per cent. of the proceeds (from the disposal including any interest accrued on the Notes ("**Accrued Interest**", *Stückzinsen*) are deemed as assessment base for the withholding tax upon the disposal. In case the Notes have previously not been held in a custodial account with a German Paying Agent, the actual acquisition cost of the Notes can also be notified to the new German Paying Agent by a statement of a bank or financial services institution seated in a member state of the European Community, the European Economic Area or certain other countries in accordance within the article 17 para 2 of the EC Council Directive 2003/48/EC on the taxation of savings income ("**EU Savings Directive**").

To determine the German tax to be withheld, the German Paying Agent may generally deduct from the basis of the withholding tax negative income from capital investments realised by the individual Noteholder with capital investments made through the German Paying Agent (e.g. losses from the sale of other securities other than share). Accrued Interest on the Notes or other securities a Noteholder has paid separately upon the acquisition of the respective security through the German Paying Agent may also be deducted by the German Paying Agent. Moreover, the German Paying Agent may credit non-German withholding taxes levied on capital investment income in a given tax year with respect to securities held by the individual Noteholder in the custodial account with the German Paying Agent provided certain requirements are met and subject to further restrictions.

Individual Noteholders are entitled to an annual lump-sum deduction (*Sparer-Pauschbetrag*) for income from capital investments of € 801 (€ 1,602 for married couples filing jointly) provided the Notes do not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property. The German Paying Agent will take this allowance into account when determining the German withholding tax if and to the extent the individual Noteholder has filed a certificate of exemption (*Freistellungsauftrag*) with the German Paying Agent but only to the extent the interest income derived from the Notes together with other investment income does not exceed the maximum exemption amount shown on the certificate of exemption. Similarly, no withholding tax will be deducted if the Holder of Notes has submitted to the German Paying Agent a certificate of non assess sent (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

No German withholding tax will apply to gains from the disposal, redemption, repayment, transfer or assignment of Notes held by a corporation as Noteholder. However, ongoing payments, e.g. interest payments, are subject to German withholding tax without taking into account any deductions of foreign tax and losses incurred from capital investments. The same applies in case the Notes from part of German trade or business if further requirements are met.

Taxation of interest and capital gains

Generally income deriving from capital investments (e.g. interest income under the Notes and also capital gains) is subject to a final flat tax of 25 per cent. plus a solidarity surcharge thereon, which is currently levied at 5.5 per cent., resulting in an aggregate tax burden of 26.375 per cent.), if the Noteholder is an individual and does not hold the Notes as a business asset for tax purposes.

If the Noteholder holds the Notes with a German Paying Agent, then such flat tax (and potentially church tax) will be directly withheld by such German Paying Agent (see above). In case of an individual Noteholder deriving income from capital investments under the Notes (in particular the assets do not qualify as a business asset for tax purposes), in principle his personal income tax liability is settled by the tax withheld by the German Paying Agent.

If and to the extent no German withholding tax has been withheld, e.g. if the Notes are held in custody outside of Germany or if no German Paying Agent is involved in the payment process, the individual Noteholder must declare his income and capital gains gained from the Notes in his tax return, which will be taxed with the flat tax rate (see above). Also in a case where the German withholding tax was determined based on the 30 per cent. of the proceeds from the disposal and (i) the actual capital gain is higher, the Noteholder has to or (ii) the actual capital gain is lower, the Noteholder may also declare such capital gain in his tax return, which will be taxed with the flat tax rate (see above).

Upon application by the respective taxpayer, upon a tax assessment the tax authorities will tax all income from capital investment of one year, including such as interest or capital gains deriving from the Notes, with the individual tax rate of the Noteholder if such tax rate is lower than the flat tax rate; any exceeding amounts of taxes withheld by the German Paying Agent will be credited against the personal tax liability or in case of exceeding amounts refunded.

In any case, investors holding the Notes as private assets will not be entitled to deduct expenses (other than transaction cost) incurred in connection with the investment in the Notes from their income. In addition, such Noteholders could not offset losses from the investment in the Notes against other types of income (e.g., employment income), but only with other income from capital investments realised in the same or subsequent years.

If the Notes are not held as a private asset but as a German business asset, capital gains relating to a disposal, redemption, repayment, transfer, sale or assignment and payments of interest (and in case the income is determined based on accounting principles also Accrued Interest) are subject to German corporate income tax or income tax and also trade tax as part of current operating profit. For such Noteholders, any withholding tax charge will not be a final tax, but will be credited against the assessed tax charge. The relevant Noteholder has to declare his income and capital gains as well as related business expenses in connection with the Notes in his tax return. The net profit will be tax at the rate applicable to the Noteholder. Any withheld taxes (if any) will be credited against the relevant income tax or corporate income tax liability of the Noteholder or will in case of exceeding amounts be refunded.

Non-residents

Non-residents of Germany are, in general, not subject to German income taxation, unless the respective payments qualify as taxable income from German sources within the meaning of Section 49 of the German Income Tax Act, e.g. if (i) the Notes are held in a German permanent establishment or through a German permanent representative or any other fixed base in Germany by the Noteholder, (ii) payments are paid by a German Paying Agent to a non-resident not being a credit institution or a financial services institution against the handing over of the Notes or interest coupons ("**Over-the-counter Transactions**"), (iii) the income results from the leasing and letting of German real estate or (iv) the income results from capital investments directly or indirectly secured by German real estate (unless being interest income from bonds and receivables, which are registered with a public debt register or for which either global bearer notes within the meaning of the Sec. 9a German Securities Deposit Act (*Depotgesetz*) or partial debentures (*Teilschuldverschreibungen*) been issued).

In case of a liability to German income taxation, a Noteholder will be subject to limited taxation in Germany and income tax (or corporation income tax, as the case may be) and solidarity surcharge on the respective income may become due. Such limited tax liability may be assessed by withholding tax by applying the principles for German tax residents or in addition, in the sole discretion of the German tax authorities, if they assess such withholding as appropriate to secure Germany's tax claim on such income. In cases (i), (iii) and (iv) above a tax regime similar to the described above under *German Tax Residents* is applicable.

Under certain circumstances non-residents may benefit from tax reductions or tax exemptions available under double taxation treaties, entered into with Germany, if any.

In addition, interest income and capital gains may be subject to trade tax if the Notes belong to a German permanent establishment of the Holder.

Inheritance and Gift Tax

In principle, a transfer of the Notes to another person by way of gift or due to death is subject to gift or inheritance tax only if:

- (i) the testator, donator, heir, beneficiary, donee, or other transferee or acquirer at the time the transfer was effected had his place of residence or ordinary residence in Germany, place of management or registered office in Germany, or held the German citizenship and had not lived abroad for a continuous period of more than 5 years without having a domicile in Germany; or
- (ii) the Notes belonged to the testator's or donator's business assets, for which a permanent establishment was maintained in Germany or a permanent representative was appointed, or

- (iii) the Notes are directly or indirectly secured with (a) German real estate or (b) German rights treated as real estate (*grundstücksgleiche Rechte*) or (c) ships registered in the German ship register unless partial debentures (*Teilschuldverschreibungen*) have been issued in this regard.

The few inheritance and gift tax DTTs currently in effect in Germany typically provide that German gift or inheritance tax is only payable under the circumstances specified under (i) and, with certain limitations, under the circumstances specified under (ii) above.

Special regulations apply to certain German citizens living outside Germany and former German citizens.

Other Taxes

The issuance, delivery, execution, purchase, sale or other disposition of the Notes is not subject to German capital transfer tax, value added tax, stamp duty, registration or similar tax. However, under certain circumstances enterprises may opt for value added tax in cases that would otherwise be exempt from value added tax. Presently Germany does not levy wealth tax (*Vermögenssteuer*).

EU Savings Directive

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

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

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. Investors who are in any doubt as to their position should consult their professional advisers.

SUBSCRIPTION AND SALE FOR THE NOTES

Merrill Lynch International and HSBC Bank plc in their capacity as the Joint Lead Managers have agreed, pursuant to and in accordance with a subscription agreement dated 15 May 2013, between the Joint Lead Managers, the Arranger and the Issuer, subject to certain conditions, to procure subscribers, failing which each of them has agreed to subscribe and pay for agreed amounts of each Class of Notes at 100 per cent. of their respective principal amounts.

BofAML has undertaken to the Issuer in the Subscription Agreement that it will retain a vertical slice on the Closing Date in order to comply with the requirement to retain a material net economic interest of not less than five per cent. in the securitisation in accordance with Article 122a of the Capital Requirements Directive. Furthermore, BofAML has undertaken to the Issuer and the Joint Lead Managers in the Subscription Agreement that it will from the Closing Date, as long as there are any Notes outstanding, retain a material net economic interest of not less than five per cent. in the Notes in accordance with Article 122a the Capital Requirements Directive.

United States of America

The Joint Lead Managers have acknowledged to the Issuer that the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act. The Joint Lead Managers have agreed that they will not offer, sell or deliver the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In connection with sales outside the United States, the Joint Lead Managers have agreed under the Subscription Agreement that they will not offer, sell or deliver the Notes to, or for the account or benefit of U.S. persons (a) as part of the Joint Lead Managers's distribution at any time or (b) otherwise prior to the date that is 40 days after the later of the commencement of the offering and the issue date of the Notes (the "**Distribution Compliance Period**") and, accordingly, that neither it, its affiliates nor any person acting on their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes and it and its affiliates and any person acting on its or their behalf has complied with and will comply with the offering restriction requirements of Regulation S under the Securities Act to the extent applicable.

The Joint Lead Managers under the Subscription Agreement have also agreed that, at or prior to confirmation of sales of any Notes, each will have sent to each distributor, dealer or other person receiving a selling concession, fee or other remuneration to which it sells any Notes during the Distribution Compliance Period a confirm or other notice setting forth the restrictions on offers and sales of such Notes within the United States or to, or for the account or benefit of, U.S. persons.

United Kingdom

The Joint Lead Managers have each further represented and agreed that except as permitted by the Subscription Agreement:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 ("**FSMA**") received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Issuer and each Joint Lead Manager have represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make

an offer of Notes which are the subject of the offering contemplated by this Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the Issuer for any such offer; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes will require the Issuer, and each Joint Lead Manager to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provisions, the expression of an offer of Notes to the public in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Ireland

Subscription and Sale: Ireland

Each Joint Lead Manager has further represented and agreed that:

- (a) it has not offered, sold or placed and will not offer, sell or place any Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) of Ireland (the "**Prospectus Regulations**"), including any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the Central Bank of Ireland;
- (b) it has not and will not offer, sell or place any Notes other than in compliance with the provisions of the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland and any rules issued under Section 34 of the Investments Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland by the Central Bank of Ireland;
- (c) it has complied and will comply with all applicable provisions of Directive 2004/39/EC and implementing measures in its relevant jurisdiction and is operating within the terms of its authorisation thereunder and it has complied and will comply with any applicable codes of conduct or practice; and
- (d) in connection with offers or sales of Notes, it has only issued or passed on, and will only issue or pass on, any document received by it in connection with the issue of the Notes to persons who are persons to whom the documents may otherwise lawfully be issued or passed on.

General

Other than the approval by the Central Bank of Ireland of this Prospectus as a prospectus in accordance with the requirements of the Prospectus Directive and implementing measures in Ireland, application having been made for the Notes to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market and the filing of this Prospectus as a prospectus with the Companies Registration Office in Ireland, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Prospectus or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Prospectus does not constitute, and may not be used for the purpose of, an offer or

solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

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

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes and the DACs have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other relevant jurisdiction and accordingly, may not be reoffered, resold, pledged or otherwise transferred except in accordance with the restrictions described below.

Each purchaser of an interest in a Global Note or a Definitive Note or a Global Deferred Arrangement Fee Certificate or Definitive Arrangement Fee Certificate (each initial purchaser of Notes, together with each subsequent transferee of Notes, and, in the case of the DACs, the initial subscriber and any subsequent transferee of the DACs, is referred to herein as, the "**Purchaser**") will be deemed, or in the case of a Definitive Note or Definitive Deferred Arrangement Fee Certificate required, to have acknowledged, represented and agreed as follows (terms used in this section that are defined in Regulation S under the Securities Act are used herein as defined therein):

1. **Transfer Restrictions and Notice thereof.** Each Purchaser acknowledges and agrees that (1) the Notes have not been and will not be registered under the Securities Act and the Issuer has not been registered as an "investment company" under the Investment Company Act, (2) neither the Notes nor any beneficial interest in the Notes may be re-offered, resold, pledged or otherwise transferred except in a transaction in which the transferee (1) is not a U.S person and is acquiring the Notes or a beneficial interest in the Notes in compliance with Rule 903 and 904 of Regulation S or (2) is acquiring the Notes or a beneficial interest in the Notes in a transaction exempt from registration under the Securities Act and the Investment Company Act and (3) the Purchaser will notify any transferee of such transfer restrictions and that each subsequent holder will be required to notify any subsequent transferee of such Notes of such transfer restrictions.
2. **Legends on Global Note.** Each Purchaser acknowledges that each Global Note will bear a legend substantially to the effect set forth below and that the Issuer has covenanted in the Note Trust Deed not to remove such legend.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND THE ISSUER (AS DEFINED IN THE NOTE TRUST DEED) HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**") BY PURCHASING OR OTHERWISE ACQUIRING THIS NOTE OR A BENEFICIAL INTEREST IN THIS NOTE, EACH OWNER OF SUCH NOTE OR BENEFICIAL INTEREST WILL BE DEEMED TO HAVE REPRESENTED FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT (I) IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE OR A BENEFICIAL INTEREST IN THIS NOTE IN COMPLIANCE WITH RULE 903 OR 904 OF REGULATION S OR (II) IT IS PURCHASING OR ACQUIRING THIS NOTE OR SUCH BENEFICIAL INTEREST IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND THE INVESTMENT COMPANY ACT. NEITHER THIS NOTE NOR A BENEFICIAL INTEREST IN THIS NOTE MAY BE RE-OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN A TRANSACTION IN WHICH THE TRANSFEREE (1) IS NOT A U.S. PERSON AND IS ACQUIRING THIS NOTE OR A BENEFICIAL INTEREST IN THIS NOTE IN COMPLIANCE WITH RULE 903 AND 904 OF REGULATION S OR (2) IS ACQUIRING THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND THE INVESTMENT COMPANY ACT.

3. **Legends on Global Deferred Arrangement Fee Certificate.** Each Purchaser acknowledges that the Global Deferred Arrangement Fee Certificate will bear a legend substantially to the effect set forth below and that the Issuer has covenanted in the Note Trust Deed not to remove such legend.

NEITHER THIS DEFERRED ARRANGEMENT FEE CERTIFICATE NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR ARE EXPECTED TO BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION.

BY PURCHASING OR OTHERWISE ACQUIRING ANY BENEFICIAL INTEREST IN THIS DEFERRED ARRANGEMENT FEE CERTIFICATE, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE AGREED FOR THE BENEFIT OF THE ISSUER THAT IF IT SHOULD DECIDE TO DISPOSE OF THE DEFERRED ARRANGEMENT FEE CERTIFICATES REPRESENTED BY THIS GLOBAL DEFERRED ARRANGEMENT FEE CERTIFICATE PRIOR TO THE TERMINATION OF THE DISTRIBUTION COMPLIANCE PERIOD (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT), BENEFICIAL INTERESTS IN THIS GLOBAL DEFERRED ARRANGEMENT FEE CERTIFICATE MAY BE OFFERED, RESOLD OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT. ACCORDINGLY, ANY TRANSFERS OF THE DEFERRED ARRANGEMENT FEE CERTIFICATES PRIOR TO THE TERMINATION OF THE DISTRIBUTION COMPLIANCE PERIOD MAY ONLY BE MADE TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATIONS UNDER THE SECURITIES ACT.

ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION 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 INTERNAL REVENUE CODE.

4. **Mandatory Transfer/Redemption.** Each Purchaser acknowledges and agrees that in the event that at any time the Issuer determines (or is notified by a person acting on behalf of the Issuer) that such Purchaser was in breach, at the time given or deemed to be given, of any of the representations or agreements set forth above or otherwise determines that any transfer or other disposition of any Notes would, in the sole determination of the Issuer or the Note Trustee acting on behalf of the Issuer, require the Issuer to register as an "*investment company*" under the provisions of the Investment Company Act, such purchase or other transfer will be void *ab initio* and will not be honoured by the Note Trustee. Accordingly, any such purported transferee or other holder will not be entitled to any rights as a Noteholder and the Issuer will have the right to force the transfer of, or redeem, any such Notes.

Initial Purchaser of Interests in the DACs

(a) *Notice of Transfer Restrictions*

Each Purchaser acknowledges and agrees that (1) the DACs have not been and will not be registered under the Securities Act, (2) neither the DACs nor any beneficial interest therein may be re-offered, resold, pledged or otherwise transferred except in accordance with the provisions set forth above and (3) the Purchaser will notify any transferee of such transfer restrictions and that each subsequent holder will be required to notify any subsequent transferee of such DAC of such transfer restrictions.

(b) *Purchaser Requirements*

If the Purchaser is acquiring the DACs during the Distribution Compliance Period, the Purchaser is not a U.S. person and is acquiring the DACs pursuant to Rule 903 or 904 of Regulation S. The Purchaser acknowledges that each of the Issuer and the Note Trustee reserves the right prior to any sale or other transfer to require the delivery of such certifications, legal opinions and other information as the Issuer or the Note Trustee may reasonably require to confirm that the proposed sale or other transfer complies with the foregoing restrictions.

(c) *Legends on the Global Deferred Arrangement Fee Certificate*

Each Purchaser acknowledges that the Global Deferred Arrangement Fee Certificate will bear legends substantially to the effect set forth above.

GENERAL INFORMATION

1. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 14 May 2013.
2. It is expected that admission of the Notes to the Official List of the Irish Stock Exchange and to trading on its regulated market will be granted on or about the Closing Date, subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in Euro and for delivery on the third working day after the day of the transaction.
3. The Global Notes and Global Deferred Arrangement Fee Certificate have been accepted for clearance through Euroclear and Clearstream, Luxembourg as set out under "*The Notes*" and "*The Deferred Arrangement Fee Certificates*".
4. The Issuer is not, and has not been, involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's financial position.
5. Copies of the following documents may be inspected in physical form at the offices of the Issuer during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the specified offices of the Principal Paying Agent and at the registered office of the Issuer for the term of the Notes for so long as any Notes are listed on the Irish Stock Exchange:
 - (a) the memorandum and articles of association of the Issuer;
 - (b) the memorandum and articles of association of each of the Borrowers;
 - (c) the following documents and any amendments thereto from time to time (together, the "**Issuer Transaction Documents**"):
 - (i) the Note Trust Deed;
 - (ii) the Issuer Deed of Charge;
 - (iii) the Servicing Agreement;
 - (iv) the Cash Management Agreement;
 - (v) the Issuer Account Bank Agreement;
 - (vi) the Issuer Corporate Services Agreement;
 - (vii) the Liquidity Facility Agreement;
 - (viii) the Interest Rate Swap Agreement (and each of the related confirmations);
 - (ix) the Agency Agreement;
 - (x) the Issuer German Security Agreement; and
 - (xi) the Incorporated Terms Memorandum;
 - (d) audited financial statement for the WOBA DRESDEN GmbH in respect of the financial years ended 31 December 2012 and 2011;
 - (e) audited financial statement for the Liegenschaften Weißig GmbH in respect of the financial years ended 31 December 2012 and 2011;
 - (f) audited financial statement for the WOHNBAU NORDWEST GmbH in respect of the financial years ended 31 December 2012 and 2011; and

- (g) audited financial statement for the SÜDOST WOBA DRESDEN GmbH in respect of the financial years ended 31 December 2012 and 2011.
6. The Note Trust Deed and the Issuer Deed of Charge will provide that the Note Trustee and the Issuer Security Trustee may rely on reports or other information from professional advisers or other experts (whether addressed to or obtained by the Issuer, the Note Trustee, the Issuer Security Trustee or any other person) in accordance with the provisions of the Note Trust Deed and the Issuer Deed of Charge respectively, whether or not such report or other information or engagement letter or other document entered into by the Note Trustee or the Issuer Security Trustee (as the case may be) and the relevant person in connection thereto, contains any monetary or other limit on the liability of the relevant professional adviser or expert.
 7. Except as is outlined in this Prospectus, the Issuer does not intend to provide any post-issuance information in relation to the Notes.
 8. The language of the Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of the Prospectus.
 9. No website referred to in the Prospectus forms part of the Prospectus for the purposes of the listing of the Notes on the Irish Stock Exchange.
 10. Servicer Quarterly Reports, Cash Manager Reports and other notices to the Noteholders shall, be made available for review at www.usbank.com/abs.
 11. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on its regulated market for the purposes of the Prospectus Directive.

**APPENDIX 1
VALUATION REPORT**



Real value in a changing world

Valuation Report **"WOBA" Portfolio**

prepared for Merrill Lynch International

April 2013



Valuation Report

This Valuation Report ('Valuation Report') has been prepared by Jones Lang LaSalle GmbH in accordance with the International Standards for the Valuation of Real Estate for Investment Purposes ('International Valuation Standards'), the Valuation Standards of the Royal Institution of Chartered Surveyors ('Red Book') and the International Financial Reporting Standards (IFRS) following the completion of our assessment of Market Value, as at 28 February 2013, of the portfolio of the WOBA Holding GmbH.

The "WOBA" portfolio consists of 37,297 residential units, 859 commercial units, 5,691 garages/car parking spaces, 1,931 miscellaneous rental units (including antennas, advertisements and vending machines) with a total lettable area of around 2,199,649 m², located in two locations (Dresden and Zwickau) within the federal state of Saxony. The portfolio also comprises 138 parcels of undeveloped land, ground leasehold properties (Leasehold Striesen Funds) and 15 other/miscellaneous units.

Clients and Addressees

Joint-Lead Managers

Merrill Lynch International 2 King Edward Street London EC1A 1HQ United Kingdom	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom
--	--

Original Lenders

Taurus 2013 (GMF1) PLC
35 Great St. Helen's
London, EC3A 6AP
United Kingdom

Security Trustee

Elavon Financial Services Limited, London Branch
125 Old Broad Street
London EC2N 1AR

Valuer

Jones Lang LaSalle GmbH
Berliner Freiheit 2
10785 Berlin



Date of Valuation

28 February 2013

Date of Valuation Report

23 April 2013

Jones Lang LaSalle GmbH
International Real Estate Consultants
Frankfurt/Main
Local Court Frankfurt/Main, HRB no. 13139
Certified according to ISO 9001
CEO Germany: Dr. Frank Pörschke

Summary of Valuation Results

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the Company, and subject to the Assumptions and comments detailed in Section 6 of the freehold and leasehold properties (as appropriate) -of the WOBA Holding GmbH as at the effective date of Valuation, 28 February 2013, was as follows:

€ 1,813,182,205

**(ONE BILLION, EIGHT HUNDRED AND THIRTEEN MILLION,
ONE HUNDRED AND EIGHTY-TWO THOUSAND, TWO HUNDRED AND FIVE EUROS)**

Market value of developed properties:	€ 1,797,140,249
Market value of undeveloped sites:	€ 14,531,705
Market value of leasehold properties:	€ 0
Market value of miscellaneous units	€ 1,510,251

The above figures represent the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the developed properties in the portfolio (excluding undeveloped sites, the leasehold properties and other/miscellaneous units):

Total lettable area:	2,199,649 m ²
Average market value per m ² of lettable area:	€ 820
Current rental income per annum:	€ 125,512,864
Potential rental income per annum:	€ 133,226,095
Market rent per annum:	€ 144,297,558
Multiplier (based on current rent):	14.3-fold
Multiplier (based on potential rent):	13.5-fold
Multiplier (based on market rent):	12.5-fold
Net initial yield (based on current rent):	4.09%

Table of Contents

1	Brief and Scope of Instruction	6
1.1	Instruction & Purpose of Valuation Report	6
1.2	Reliance & Disclosure	6
1.3	Status of Valuer and Conflicts of Interest	6
1.4	Scope of Work	6
1.5	Subject of Valuation	7
1.6	Valuation Definitions	7
1.7	Assumptions and Sources of Information	8
1.8	Valuation Timeline	8
1.9	Date of Valuation	8
1.10	Taxation and Costs	8
1.11	Value Added Tax	8
1.12	Currency	8
1.13	Rounding's	9
1.14	Legal Terms	9
2	Assumptions	10
2.1	Title / Legal Restrictions / Building and Other Encumbrances	10
2.2	Contamination and Soil Conditions	11
2.3	Condition and Structural Inspections, Deleterious Materials	12
2.4	Technical Due Diligence	12
2.5	Building Law	13
2.6	Town and Traffic Planning	13
2.7	Protection of Historic Structures	13
2.8	Technical Equipment, Plant & Machinery	13
2.9	Areas	14
2.10	Leases and Tenancy Information	14
2.11	Taxes, Fees and Charges	14
2.12	Insurance Policies	14
3	Valuation Approach	15
3.1	Cluster Formation for Inspection	15
3.2	Site Inspections	15
3.3	DCF Calculation	15
3.4	Liquidation Valuation Method	16
3.5	Valuation of Undeveloped Sites	16
4	Valuation Parameters	17
4.1	Market Rents	17
4.2	Rent Adjustment	18
4.3	Rent Loss (Vacancy)	18
4.4	Capital Expenditures (CAPEX)	18
4.5	Maintenance Costs	19
4.6	Management Costs (Non-Transferable)	20
4.7	Operating Costs (Non-Transferable)	20
4.8	Other Costs	20
4.9	Inflation/Indexation	20
4.10	Discount Rate and Capitalisation Rate (Cap Rate)	21
4.11	Purchaser's Costs	21
5	Valuation Results	22

5.1	Market Value	22
5.2	Breakdown of the portfolio between 'Core' and 'Non-Core'	23
6	Valuation Definitions.....	24

1 Brief and Scope of Instruction

1.1 Instruction & Purpose of Valuation Report

As instructed by Merrill Lynch International (the 'Client'), Jones Lang LaSalle GmbH (hereinafter 'Jones Lang LaSalle'), has undertaken a valuation of the properties of the WOBA Holding GmbH (the 'Company') and carried out a full valuation on house number level (the 'Valuation') to determine the Market Value, as at 28 February 2013.

Jones Lang LaSalle understands that this Valuation Report for Merrill Lynch International is required in connection with their respective consideration of the extension of credit related to the "WOBA" portfolio.

1.2 Reliance & Disclosure

The scope and content of this report and any other information including, but not limited to, updates or amendments which is obtained from or provided by Jones Lang LaSalle or any of its employees or agents in connection with it, solely has regard to the interests of Bank of America N.A./ Merrill Lynch International, HSBC Bank plc, Taurus 2013 (GMF1) plc and Elavon Financial Services Limited (together the 'Addressees'). This report is provided in connection with the planned securitization of the WOBA portfolio loan by Bank of America N.A./ Merrill Lynch International and HSBC Bank plc and is addressed to and is solely for the benefit of the Addressees. This report has been prepared solely in accordance with the terms of engagement agreed between Bank of America N.A./ Merrill Lynch International and JLL.

This report may not, without JLL's prior written consent, be relied upon for any other purpose or be disclosed to or relied upon by any other person without JLL's prior written consent.

1.3 Status of Valuer and Conflicts of Interest

We confirm that Jones Lang LaSalle has undertaken the Valuation acting as External Valuers, as defined by the RICS Red Book, qualified for the purpose of the Valuation.

Furthermore we confirm that Jones Lang LaSalle is not aware of any actual or potential conflict of interest that may have influenced its status as External or Independent Valuer.

1.4 Scope of Work

The scope of work has been carried out for the Valuation, including the following processes:

- Sample inspections of the individual properties were carried out through internal and external inspections;
- Analysis and evaluation of the property information (e.g. property database, rent roll, etc.) provided by the Company;
- Analysis, evaluation and interpretation of the valuation units on basis of inspections with regard to homogeneity of the Properties (e.g. postal zip code and year of construction);
- Individual market and locational analysis of all valuation units;
- Determination of the Market Value at a valuation unit level.

1.5 Subject of Valuation

The "WOBA" portfolio consists of 37,297 residential units, 859 commercial units, 5,691 garages/car parking spaces, 1,931 miscellaneous rental units (including antennae, advertisements and vending machines) with a total lettable area of around 2,199,649 m², located in two locations (Dresden and Zwickau) within Saxony. In addition the portfolio also comprises 138 parcels of undeveloped land, ground leasehold properties (Leasehold Striesen Funds) and 15 other/miscellaneous units.

1.6 Valuation Definitions

Market Value

Our Valuation has been prepared in accordance with the appropriate sections of the current Valuation Standards (VS) contained within the Appraisal and Valuation Standards, 8th Edition (the 'Red Book') published by the Royal Institution of Chartered Surveyors (RICS) as well as the standards contained within the TEGoVA European Valuation Standards (EVS 2012 – 7th Edition) and in accordance with IVSC International Valuation Standard 1 (IVS 1) (9th Edition, 2011) on the basis of Market Value. This is included in the General Principles Adopted in the Preparation of Valuations and Reports of Jones Lang LaSalle. This is an internationally accepted basis of valuation.

The Market Value is defined as: The "Market Value" according to the RICS Valuation – Professional Standards manual contains an appraisal of the price at which a property transaction would take place at the appointed valuation date and may be defined as:

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

The above definition concurs with that the concept of 'Fair Value' defined by the currently valid International Financial Reporting Standards and the appropriate International Accounting Standard 40, paragraphs 1-86.

In undertaking the Valuation on the basis of Market Value, Jones Lang LaSalle has considered the comments made by the International Valuation Standards Council, which are included in the Red Book standards. According to VS 3.2, Commentary 3:

'Market value ignores any existing mortgage, debenture or other charge over the property.'

Thus the Market Value in result complies with the "Verkehrswert" according to § 194 BauGB (German Building Act).

Market Rent

The Market Rent is assessed in accordance with VS 3.3, which has been approved by the International Valuation Standards Committee. Under these provisions, the Market Rent represents

'The estimated amount for which a property would be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.'

In accordance with the above, where the properties or parts thereof are vacant at the date of Valuation, the rental value reflects the Market Rent that Jones Lang LaSalle considers obtainable on an open market letting for vacant areas as at the date of Valuation.

1.7 Assumptions and Sources of Information

An assumption is defined in the Glossary to the Red Book to be a 'supposition taken to be true' ('Assumption'). Assumptions are:

'Facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, needs not be verified by a valuer as part of the valuation process.'

In undertaking the Valuation, Jones Lang LaSalle has made a number of Assumptions and have relied on certain sources of information. In the event that any of these Assumptions prove to be incorrect, then our Valuation would require to be reviewed.

Database

The Company has provided Jones Lang LaSalle with a property-related database, dated 30 September 2012 and a rent roll, dated 28 February 2013. These documents included key information such as addresses, construction years, number of units, lettable areas, vacancy rates and current rental income. Jones Lang LaSalle has assumed that the information the Company have supplied to us in respect to the subject portfolio is complete, correct and up to date and that the accuracy of all such documents has been confirmed by the Company.

1.8 Valuation Timeline

Confirmation of instruction:	17 March 2013
Delivery of Valuation Report:	25 March 2013

1.9 Date of Valuation

The date of Valuation is 28 February 2013.

1.10 Taxation and Costs

Jones Lang LaSalle has not made any adjustments to reflect any liability to taxation that may arise on disposal (e.g. valuation gains) nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, or taxation allowance that may arise upon disposals.

1.11 Value Added Tax

The Market Values and Market Rents listed in this Valuation Report do not include the relevant Value Added Tax at the prevailing rate.

1.12 Currency

The currency referred to in the Valuation Report is Euros (€).

1.13 Rounding's

Due to the calculation basis, marginal differences can occur in the rounding's of the numbers (€, %, etc.).

1.14 Legal Terms

The valuation is conducted on the following legal basis:

- Rent increase: §§ 556 - 561 BGB (German Civil Code, Chapter 2, Rent)
- Non-recoverable costs: Betriebskostenverordnung 2004 (valid for rental contracts from January 2004 onwards)
- II. Berechnungsverordnung 2004
- Valuation methods: RICS Appraisal and Valuation Standards, Red Book, 8th edition of RICS
- International Financial Reporting Standards
- International Accounting Standard (IAS) 40

2 Assumptions

2.1 Title / Legal Restrictions / Building and Other Encumbrances

As is normal valuation practice, Jones Lang LaSalle has assumed that the properties are free from mortgages, charges or other financially relevant encumbrances. Furthermore, no account has been taken in our Valuation of any goodwill that may arise from the present occupation of the properties.

Jones Lang LaSalle has been provided with a Legal Review Report by Clifford Chance, dated March 2013 and Land Register extracts dated 20 Feb 2013 relating to information concerning the land registers, which were also reviewed to identify value-affecting entries. Value influencing information was considered in the valuation.

Jones Lang LaSalle assumes that all properties are owned either completely or partially by the WOBA Holding GmbH.

Unless disclosed in the Land register or the Real Estate Title section of the Legal Review Report, Jones Lang LaSalle has made the Assumption that the properties have good and marketable freehold or leasehold title in each case and that the properties are free from any depreciating rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings.

We regard all restrictions to be normal for a portfolio of this size. In total there are 858 restrictions in the "WOBA" portfolio which were summarized in 27 categories of restrictions. The main restrictions are installation rights (23.3%).

Redevelopment Note / Area

Urban-planning redevelopment measures are measures in towns and villages by which an area should be substantially improved or altered to remove serious deficits in the field of urban planning. The uniform preparation and speedy realization must be in public's interest.

Aims of urban-planning redevelopment are:

- Preservation of the town planning inheritance, as far as it is preserved-worth
- Improve of housing conditions and terms of employment in the built environment
- Attendance of the structural change of the industrial economy and the agriculture by town planning measures

These measures are used in course of redevelopment in historical city centers or urban renewal in older parts of town, in areas of the town conservation of historic buildings and urban reconstructing.

There are two kinds of redevelopment procedures: the comprehensive (conventional) and the simplified. Basically the comprehensive procedure is mostly used when a considerable area transformation is aimed. By contrast, the simplified procedure is used in case the preservation and improvement of the holding properties is in the foreground of the redevelopment.

The redevelopment procedure begins with the decision about the beginning of the preparatory investigations and ends with the winding up of the renovation. Since the 1st of January, 2007 the procedure duration is limited basically to 15 years.

We have not considered entries concerning the refurbishment area in the valuation, because they are more speculative regarding the development of values and the starting date.

Pipeline and Plant Right

The pipeline right is a limited right in rem over a third party plot. It contains the right to install and run one or several pipelines (power, gas, water, telephone etc.) on the third parties plot.

The pipeline right mostly is an easement, which means servitude in favour of the respective owner of another site. The easement obliges the owner of the burdened plot to tolerate the usage of the pipeline on their plot through the beneficiary. A pipeline right also can be a limited personal easement in favour of a natural or juristic person. A plant right is the right to construct, run and maintain facilities like for example telecommunication systems, drainage or energy systems.

Right of Way, Way-Leave

A right-of-way is a right to make a way over a piece of land, usually to and from another piece of land. It is a type of easement granted or reserved over the land for transportation purposes, such as for a footway, carriageway, trail, driveway, rail line or highway. The right is reserved for the purposes of maintenance or expansion of existing services with the right-of-way.

Entries regarding Pipeline- and Plant Rights, Right of Way and Way-Leaves have been considered in the valuation with individual surcharges.

2.2 Contamination and Soil Conditions

Information with regard to the suspicion of soil or other contamination for the Properties has been made available to Jones Lang LaSalle. According to the Company, environmental issues for the Properties as at the date of Valuation were known and considered in the valuation. We have not undertaken nor been instructed to conduct a formal environmental assessment, and have not carried out any investigation into past uses, either of the Properties or any adjacent land to establish whether there is any potential for contamination from such uses or sites.

Jones Lang LaSalle has not undertaken nor been instructed to conduct a formal condition or structural survey. Jones Lang LaSalle has been provided with the Environmental Desktop Survey by WESSLING GmbH, dated February 2013, of 1,079 properties of the "WOBA" portfolio located in Dresden and Zwickau.

According to the survey WESSLING GmbH estimated the possible risks and costs arising due to soil and groundwater contamination based on basic information (address, year of construction, floor area) and a municipal contaminated site register excerpt dated 4 February 2013 (available for 1,069 sites).

Overall WESSLING GmbH calculated costs for soil and groundwater contamination in the amount of € 1.76 Mio.

The costs for soil conditions have been taken into consideration within the valuation.

According to the Environmental Survey WESSLING GmbH calculated also potential costs for hazardous building materials in the amount of € 57.857 Mio. based on the estimation of average costs per sqm for a normal quantity and quality of building pollutants for the respective years of construction. It is not documented how the costs are composed in detail. The expenditures for the removal and disposal of usually asbestos containing facades and floor tiles in the short to long term (€ 1.479 Mio.) is required and has been taken into consideration within the valuation. The remaining costs are potential costs.

The potential costs would only occur in the case of demolition, modification or remediation of the entire portfolio.

2.3 Condition and Structural Inspections, Deleterious Materials

Information regarding condition and structural reports as well as deleterious materials has been made available to us by the Company, where applicable. We have not undertaken nor been instructed to conduct a formal condition or structural survey, although where building deficiencies were identified during the internal or external inspections, they were subsequently reflected in the Valuation.

The results of the inspections are based on exclusively purely visual examinations, with no guarantee as to the completeness of the information presented. Unless otherwise informed by the Company, we have made the Assumption that the Properties are free from any mildew, infestation, adverse toxic chemical treatments, and structural or design defects.

We have not investigated whether high alumina cement, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations of any of the Properties. For the purposes of this Valuation, unless otherwise informed by the Company, we have made the Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

No mining, geological or other investigations have been undertaken to certify that the foundations of the Properties are free from any defect. Unless otherwise informed by the Company, we have made the Assumption that the load bearing qualities of the sites of the Properties are sufficient to support the buildings constructed thereon.

2.4 Technical Due Diligence

Jones Lang LaSalle has made the Assumption that the buildings have been constructed in full compliance with valid local planning and building regulations, that all necessary certifications are existent and that there are no outstanding statutory notices as to their construction, use or occupation. Jones Lang LaSalle has made a further Assumption that the existing uses of the properties are duly authorized or established, and that no adverse planning conditions or restrictions apply.

Jones Lang LaSalle has been provided with a technical due diligence report, carried out by VALTEQ THProjektmanagement GmbH Berlin, dated 31 January 2013.

The technical due diligence is based on inspections during the period from 25 June to 6 July 2012 and information as to years of construction, floor area data, types of use, fit-out and condition of the portfolio and planned capex provided by VALTEQs client.

According to this technical due diligence report the properties of the entire portfolio are largely in an average to good technical condition. The condition of the apartments ranges from not refurbished (25%) to fully refurbished (42%).

The costs which are to be expended in order to rectify the defects identified on site for the buildings communal areas (repair requirements) are estimated by VALTEQ for the period from 2013 to 2022 at approx. € 113,695,000 for the properties located in Dresden and at approx. € 1,961,000 for the properties located in Zwickau. For the residential units in Dresden costs are estimated at approx. € 182,310,000 and at approx. € 5,502,000 for residential units in Zwickau.

Further VALTEQ estimated on-going maintenance costs for the period from 2013 to 2022. The projected average annual maintenance budget for properties in Dresden is at € 23,014,200 p.a. (€ 10.27/m² p.a.) and comprises

costs for unplanned and planned maintenance as well as fluctuation/refurbishment. In addition to this there are expenditure planned by WOBA for investment properties in the amount of € 7,500,000 p.a. (€ 3.35/m² p.a.). Maintenance budget for properties in Zwickau is estimated at approx. € 524,200 p.a. (€ 12.57/m² p.a.).

In general, costs for repairs to the buildings are covered by the portion of the maintenance budget reserved for planned maintenance measures. In cases, where the costs for repairs are not fully covered by the benchmark-based maintenance budget or exceed the benchmark-based maintenance budget, the planned maintenance costs have been adjusted.

To conclude, the total budget estimated by VALTEQ is € 23,014,200 p.a. (€ 10.27/m² p.a.) for properties in Dresden and € 524,200 p.a. (€ 12.57/m² p.a.) for properties in Zwickau. For the total portfolio, the budget amounts to € 23,538,400 p.a. (€ 10.31/m² p.a.).

Cost assumptions of Jones Lang LaSalle (s. 4.4 f.) may differ from costs estimated by VALTEQ because of differences in provided data base especially areas, sold or demolished properties. Furthermore CAPEX of Jones Lang LaSalle include the expenditures for the investment properties.

2.5 Building Law

Jones Lang LaSalle has made the Assumption that the buildings have been constructed in full compliance with valid local planning and building regulations, that all necessary certifications are existent and that there are no outstanding statutory notices as to their construction, use or occupation. Jones Lang LaSalle has made a further Assumption that the existing uses of the properties are duly authorized or established, and that no adverse planning conditions or restrictions apply.

2.6 Town and Traffic Planning

Jones Lang LaSalle has made the Assumption that the existing uses of the properties are duly authorized or established, and that no adverse planning conditions or restrictions apply.

2.7 Protection of Historic Structures

Based on the provided information by the Company, Jones Lang LaSalle understands that 4,563 residential units (approx. 12 %) and 267 commercial units (approx. 31 %) are listed structures. This represents approx. 16% of the Market Value of the entire portfolio and is, if applicable, accordingly cited in the respective register of monuments and historic buildings of the federal state/city. For the listed properties, higher maintenance costs have been applied due to the common official restrictions relating to the preservation and maintenance of such structures.

2.8 Technical Equipment, Plant & Machinery

No tests have been carried out as to electrical, electronic, heating, plant and machinery equipment or any other services, nor have the drains been tested. Unless otherwise informed by the Company, Jones Lang LaSalle has made the Assumption that all services to the properties are functioning satisfactorily.

No allowance has been made in this Valuation for any items of plant or machinery not forming part of the service installations of the properties. Jones Lang LaSalle has specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses.

The technical equipment in the subject properties such as passenger and goods lifts and other means of transportation, heating systems and further technical installations have been considered as integral components of the property. Jones Lang LaSalle has excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

2.9 Areas

Jones Lang LaSalle has not measured the properties, but has applied floor areas provided by the Company. Jones Lang LaSalle has assumed that these areas have been measured and calculated in accordance with the current market practice where the properties are located.

2.10 Leases and Tenancy Information

For the purpose of the Valuation, Jones Lang LaSalle has not undertaken investigations into the financial strength of the tenants. Unless Jones Lang LaSalle has become aware by general knowledge or has been specifically advised to the contrary, Jones Lang LaSalle has made the Assumption that the tenants are financially in a position to meet their current obligations. Unless otherwise advised, Jones Lang LaSalle has also made the Assumption that there are no material arrears of rent or service charges, breaches of covenants or current or anticipated tenant disputes.

Jones Lang LaSalle has also made an Assumption that wherever rent reviews or lease renewals are pending or impending, all notices have been served legally within the appropriate time limits.

2.11 Taxes, Fees and Charges

No information has been made available to Jones Lang LaSalle. Jones Lang LaSalle has made the Assumption that all public taxes, fees, charges, etc. which could have an influence on the value, have been levied and if applicable, had been paid at the time of this Valuation.

2.12 Insurance Policies

At the date of the Valuation, Jones Lang LaSalle was not aware of whether or to what extent insurance policies existed to limit the risks resulting from business activities (e.g. property insurance, liability insurance and construction insurance). As neither supporting nor contrary information was made available by the Company nor known by Jones Lang LaSalle, Jones Lang LaSalle has made the Assumption that potential claims are covered with regard to the insurance level and type by valid insurance policies.

3 Valuation Approach

3.1 Cluster Formation for Inspection

In accordance with the Client's instructions the inspection of the portfolio has been carried out on a cluster basis with regard to homogeneity of the properties. The inspection clusters are based on the following primary criteria:

- postal zip code,
- year of construction,
- building-type,
- number of storeys
- technical rating of the Valteq GmbH

Taking these criteria into consideration, the "WOBA" portfolio comprises 472 inspection clusters. The valuation itself has been carried out on house number level.

3.2 Site Inspections

The inspections of the individual properties were carried out on the 11 March to 14 March 2013. Each internally inspected property was assessed according to external and internal building substance and lettable units. During the inspection, residential units were inspected as a sample of the units within a property, if possible. These inspected properties were assessed with regard to damage to building substance, vacancy rate and general appearance. Furthermore, the survey involved examination of the surrounding development and the number of lettable units and vacancy.

3.3 DCF Calculation

The calculation of the Market Value has been based on the Discounted Cash Flow (DCF) method. This is an internationally recognised method, based on transparent, dynamic and explicit valuation parameters to determine the Market Value. Initially all future cash flows (both revenues and costs) are explicitly determined for a ten-year detailed planning period. At the end of this period, a terminal value is calculated, by effectively capitalising all future projected net cash flows generated by the property Cluster. The Assumptions made for the model reflect comparable analysis and decisions that would have been made by investors active in the market as at the effective date of valuation.

The cash flows for the relevant year of the detailed planning period are calculated as follows:

The potential rental income at full occupancy is reduced by the loss of rent due to vacancy and/or rent collection loss. The resulting amount reflects the current rental income. For non-subsidised housing and/or following the end of public funding for subsidised housing, rents have been adjusted with due regard to the relevant legislation (§ 558 of German Building Code, Sec. 3). This legislation states that the rent may not be increased by more than 20% (cap limit) within a three-year period and may not exceed local comparable rents. After deduction of the non-transferable costs (maintenance costs, management costs, other costs, ground rents and non-recoverable operating costs), the net cash flow is determined before taxes and debt service. The respective cash flows of the individual periods are then discounted to the date of valuation by the pre-determined discount rate (see Determination of Discount Rate, Sec. 4.10).

The calculation of the terminal value after Year 10 is carried out as follows:

In general, a stabilised cash flow (stabilised rental income less stabilised expenses) can normally be achieved by the end of Year 10. As no period-overlapping changes are expected in the cash flow after this point, the net operating income at Year 10 serves as the basis for the forecasted future cash flows.

By means of the cluster-specific capitalisation rate (see Determination of Capitalisation Rate, Sec. 4.10), the net operating income (NOI) is capitalised into perpetuity. The capitalised terminal value, like the cash flows of the detailed planning period, is likewise discounted to the date of valuation.

The result of the DCF method mirrors the economic view that would be taken by the majority of active market participants as at the effective date of valuation and reflects the Market Value.

3.4 Liquidation Valuation Method

For properties that generate no positive cash flow, nor are projected to generate a positive cash flow going forward, a liquidation valuation method has been adopted. This utilises the land plot size multiplied by the published, currently available land values (determined by the relevant public valuation offices) less demolition costs. In the case of oversized plots, an appropriate deduction has been applied to the published land value.

3.5 Valuation of Undeveloped Sites

To determine the value of undeveloped land, purchase prices of comparable land have been generally used. In the Valuation process, land values are derived according to the German Building Code (BauGB), thus in most cases suitable land values, have been determined by independent expert committees (or valuation panels) on the basis of actual transactions and purchase price analyses (cf. §§ 193 et seq. BauGB).

4 Valuation Parameters

4.1 Market Rents

Jones Lang LaSalle has used the following sources for obtaining information on market rents:

- WOBA Holding GmbH (basis – rent roll)
- Internal Jones Lang LaSalle database
- External on-geo GmbH on database. The data is based on the rental offers in the period q2/q3 2012
- "Mietspiegel" - Rent Index for the cities of Dresden and Zwickau

The market rents were determined in a 3-step model by Jones Lang LaSalle. In the first step, the current rental income per m², a list of new private housing lettings from the past two years (as provided by the Company) as well as the researched, quality-differentiated market rents per m² were assigned and compared. In the second step, with consideration to the current vacancy rate and depending on the three respective rental levels per m² (current rent, new lettings rents and the researched market rent per m²), the preliminary market rent per m² is determined. In the third and last step as part of the individual evaluation, the preliminary market rent per m² undergoes on an individual assessment basis a more precise review with regard to the existing micro-location quality and the property (Cluster) condition and if necessary, is adjusted according to expert knowledge.

Besides the derivation of the market rents, according to the model described above, we also adjusted the market rents on a property basis, taking into consideration the results of the inspections. Furthermore we also verified our market rent approach in the context of the latest rent index.

"Mietspiegel" – Rent Index

The "Mietspiegel" in Dresden and Zwickau are so called "qualified" rent indices which are an official rent analysis published by respective cities. According to the German tenancy law ("Mietrecht"), a rent index is "qualified" when it is based on a scientifically-proven methodology, is adjusted to the market development every other year and has been approved by the city and/or the tenant and landlord associations. A rent index fixes the ceiling for all existing tenancy agreements in a city. However, new rental agreements are not bound to the price limits of the rent index.

The rent index is based on an analysis of existing rents at a certain date. The data base is usually collected at big and small landlords and sometimes in tenant interviews. Thereafter, the data is statistically validated and analysed by apartment sizes, building age and apartment standards (heating, bathroom etc.). The rent index also varies depending on the location which are often designated in a map as part of the rent index ("Wohnlagekarte"). The rent index usually is provided in a table format that differentiates between rent arrays based on the location, building age, apartment sizes and standard. Each rent array shows the average net rent and a rent range which reflects the different apartment and location standards within each rent array. The supplement and deduction from the average is subject to dwelling value increasing features and dwelling value decreasing features. Depending on the number of increasing or decreasing features the rent moves towards the upper or lower range of the rent array.

4.2 Rent Adjustment

Non-Rent Controlled Properties

The rental growth forecast applied in the Valuation was developed separately for the various types of use within the real estate market (residential, commercial, garage, parking spaces and miscellaneous) by means of a detailed analysis of the current rental situation, the regional markets and the location of the property Cluster in this market.

In addition, Jones Lang LaSalle's Rent Adjustment assumptions take into consideration the restrictions imposed by the Dresden and Zwickau Social Charta (s. Sec. 2.1 to 2.5 of the Clifford Chance Legal Review Report).

For non-rent controlled residential properties as well as commercial properties, a growth rate of -0.50% to 2.50% p.a. was assumed, depending on the location rating and beginning in the second year. The average for residential units is 1.33% p.a.

The growth rate for parking and garage rents as well as rents for miscellaneous units were also estimated to be between -0.50% to 2.50% p.a., beginning in the second year.

The valuation Assumptions relating to the macroeconomic parameters (e.g. purchasing power) were considered on an administrative district or independent municipality level.

4.3 Rent Loss (Vacancy)

Rental loss reflects the share of the gross rental income that could have potentially been generated, if vacant units within any property Cluster had been rented out. Jones Lang LaSalle has calculated with a stabilised vacancy for each Cluster, ranging from 1.25% to 7.50% of the gross rent p.a., depending on the local market situation, property Cluster condition, level of rent adjustment (net rent to market rent) and current vacancy rate. The average for the "WOBA" portfolio has been calculated at approx. 4.00% for residential and commercial, 4.48% for parking and 5.28% for other units of the potential rental income.

4.4 Capital Expenditures (CAPEX)

Capital expenditures are defined as the amount used during a particular period to acquire or improve long term assets. Jones Lang LaSalle interprets CAPEX as one off costs for the conducting of immediate repairs, not covered by the on-going maintenance.

Jones Lang LaSalle has been provided with a technical due diligence report, carried out by VALTEQ THProjektmanagement GmbH Berlin, dated 31 January 2013.

The applied figure for CAPEX are based on the technical due diligence by VALTEQ (s. Sec. 2.4 Technical Due Diligence) and consider the latest rent roll/ lettable areas.

Cost assumptions of Jones Lang LaSalle may differ from costs estimated by VALTEQ (s. Sec. 2.4 Technical Due Diligence) because of differences in data provided especially areas, sold or demolished properties. Jones Lang LaSalle applied the CapEx per sqm of lettable area (as determined by VALTEQ) to the lettable area of the portfolio. In addition, the CAPEX of Jones Lang LaSalle also includes expenditure for investment properties within the portfolio, which have been calculated separately in the Technical Due Diligence by VALTEQ.

4.5 Maintenance Costs

On-going Maintenance Costs

On-going maintenance costs are non-transferable costs that are incurred during the expected useful life of a property for the preservation of the defined use of the buildings and structures (with the exception of commercial tenants), in order to remove damage caused by wear & tear, age, weather and environmental influences and/or to comply with legal requirements, to maintain the quality and yield capacity of the property.

The on-going maintenance costs have been calculated as a € per m²-figure relating to the total lettable area.

Jones Lang LaSalle has been provided with a technical due diligence report, carried out by VALTEQ THProjektmanagement GmbH Berlin, dated 31 January 2013.

The applied figure for on-going maintenance costs are based on the technical due diligence by VALTEQ (s. Sec. 2.4 Technical Due Diligence) and consider the latest rent roll/ lettable areas.

Cost assumptions of Jones Lang LaSalle may differ from costs estimated by VALTEQ (s. Sec. 2.4 Technical Due Diligence) because of differences in data provided especially areas, sold or demolished properties. On-going maintenance costs per sqm of lettable area from VALTEQ were used to calculate the on-going maintenance costs for the portfolio.

In the Valuation, the maintenance costs for residential and commercial units range from € 1.08 to € 6.43/m² p.a., calculated depending on the age and condition of the respective property. The average amounts to approx. € 3.48/m² p.a. For garages and parking spaces, maintenance costs between € 60.00 and € 80.00 per unit p.a. and € 30.00 and € 40.00 per unit p.a. respectively, were applied.

Refurbishment of Vacant Units

Costs for the refurbishment of vacant units are costs that are necessary in order to successfully re-let a vacant flat. These costs include touch-up repairs as well as refurbishment costs and marketing costs. If no historical data is available regarding the annual tenant turnover, Jones Lang LaSalle has to make plausible assumptions.

Jones Lang LaSalle has been provided with a technical due diligence report, carried out by VALTEQ THProjektmanagement GmbH Berlin, dated 31 January 2013.

The applied figure for costs for refurbishment of vacant units are based on the technical due diligence by VALTEQ (s. Sec. 2.4 Technical Due Diligence) and consider the latest rent roll/ lettable areas.

Cost assumptions of Jones Lang LaSalle may differ from costs estimated by VALTEQ (s. Sec. 2.4 Technical Due Diligence) because of differences in data provided especially areas, sold or demolished properties. Costs per sqm of lettable area from VALTEQ for the refurbishment of vacant units were used by Jones Lang LaSalle and applied to the vacant space of the portfolio to calculate the costs for refurbishment of the vacant units.

For the "WOBA" portfolio, Jones Lang LaSalle has estimated € 5.85 and € 45.00/m² for each residential unit, which becomes vacant as a result of tenant turnover. The average is € 33.37/m² per total space.

In total the costs for refurbishment of vacant flats for the next 10 years amount to € 73,419,110 (without consideration of an assumed annual indexation by JLL).

4.6 Management Costs (Non-Transferable)

Management costs incurred in the management of residential leases, encompassing all necessary labour and equipment as well as for the legal and optional audit of annual financial statements (with exception of commercial tenants) are normally non-transferable.

Management costs for residential buildings are dependent on location, condition and tenancy. Jones Lang LaSalle has considered management costs in the Valuation of € 296 (non-weighted) per residential/commercial unit p.a. For garages, the potential rental income per unit was applied € 30 to € 40 per unit p.a. as well as € 10 to € 20 per unit p.a. for parking spaces. For miscellaneous units, management costs between 2% and 4% of the potential rental income per unit p.a. were applied.

4.7 Operating Costs (Non-Transferable)

The German Regulations on Operating Costs (Betriebskostenverordnung - BetrKV) define transferable operating costs for residential properties.

For vacant rental space, certain types of costs, such as minimum heating costs, caretaker or security costs, as well as electricity and cleaning costs, which are generally transferable, cannot be transferred. Therefore, Jones Lang LaSalle has applied for each vacant m² of residential area non-transferable operating costs of approx. € 15.50/m² p.a.

Vacancy occurs within the detailed planning period as a result of tenant fluctuation. For these vacant areas, the scheduled non-transferable costs were not taken into consideration, as these costs are already considered in the maintenance costs associated with tenant turnover.

4.8 Other Costs

'Other costs' refer to and reflect the risk of a reduction in income as a result of uncollectable arrears of rent. They also serve to cover the costs of legal action to collect payments, cancel a rental contract or clear premises. Arrears of rent, due deposit payments and due property management costs must also be taken into account under this heading. The amount of such costs depends on the local market situation, type and condition of the property Cluster, tenancy situation, quality of tenants and quality of lease agreements. These costs are calculated as percentage of the current rental income. A percentage between 0.50% and 1.50% of the current rental income was used in the Valuation. The weighted average is 0.96% of the current rental income per annum.

4.9 Inflation/Indexation

All costs, calculated on a per square metre or per unit basis, have been indexed with the average rate of inflation over the last 10 years according to the German Statistical Office.

For the maintenance of apartment buildings and garages/parking spaces, this amounts to 2.10% p.a., for the maintenance of commercial units to 2.36% p.a. and for non-transferable operating and management costs to 1.70% p.a.

4.10 Discount Rate and Capitalisation Rate (Cap Rate)

Discount Rate

The Discount Rate reflects the opportunity and risk aspects of the market yield demanded by investors, and consists of an interest rate for a risk-free investment as well as a premium to account for specific investment risks associated with real estate investments.

The risk-free interest rate reflects the rate that can be achieved in the investment market for a risk-free investment. Jones Lang LaSalle uses the risk-free interest rate of 3.95% p.a. referring to the average interest rate of the past 120 months of a 10-year bond, issued by the European Central Bank. A property-specific, weighted risk premium, which is based on a rating (market, location, property Cluster and cash flow) is applied to the risk-free interest rate in order to derive a risk-adjusted discount rate, which reflects the opportunities and risks of the property Clusters in the market. Normal discount rates generally range between 4.5% and 7.5%, depending on market conditions, the micro-location quality, property (Cluster) type and use, property (Cluster) condition and cash flow security. The unweighted discount rate for the subject Portfolio stands at 5.95%, which, based on our experience, is comparable to similar transactions on the market.

Capitalisation Rate

The Capitalisation Rate (the 'Cap Rate') is used to capitalise the stabilised Net Operating Income at Year 10 into perpetuity, as it is assumed that properties are kept in stock after the detailed 10-year planning period. The Cap Rate is based on each property's individual discount rate. For the determination of the terminal value, which is based on the NOI at year 10, an individual growth rate (positive or negative) of future cash flows has been calculated. According to normal practice, the growth rate of a stabilised cash flow has then been deducted from the discount rate in order to determine the cap rate. The weighted capitalisation rate for the subject portfolio stands at 4.73%, which, based on our experience, is comparable to similar transactions on the market.

4.11 Purchaser's Costs

Purchaser's costs have been considered in the Valuation as a percentage of the Market Value. These costs include legal fees for the sale, land transfer tax, deed registration as well as agent's fees.

In the Valuation, the currently valid land transfer tax within Saxony amounts to 3.5% of the purchase price was applied. Agent's fees were assumed to be a 3.00% lump sum payment in the Valuation, while notary and associated court costs were assumed to be 1.00%.

5 Valuation Results

5.1 Market Value

Jones Lang LaSalle is of the opinion that the aggregate of the Market Values, based on the information provided by the Company, and subject to the Assumptions and comments detailed in Section 4 et seq. of the freehold and leasehold properties (as appropriate) of the WOBA Holding GmbH as at the effective date of Valuation, 28 February 2013, was as follows:

€ 1,813,182,205

**(ONE BILLION, EIGHT HUNDRED AND THIRTEEN MILLION,
ONE HUNDRED AND EIGHTY-TWO THOUSAND, TWO HUNDRED AND FIVE EUROS)**

Market value of developed properties:	€ 1,797,140,249
Market value of undeveloped sites:	€ 14,531,705
Market value of leasehold properties:	€ 0
Market value of miscellaneous units	€ 1,510,251

The above figure represents the aggregate of the individual property market values and is understood as the value without regard to costs of purchase, such as legal costs and agent's fees and where applicable land transfer tax, normally incurred by the purchaser. No allowance has been made for any expenses of realisation or for taxation and it does not reflect any addition or reduction on the sale of the portfolio as a whole which may arise in the event of a disposal.

The following table shows aggregated key property data for the developed properties in the portfolio (excluding undeveloped sites, the leasehold properties and other/miscellaneous units):

Total lettable area:	2,199,649 m ²
Average market value per m ² of lettable area:	€ 820
Current rental income per annum:	€ 125,512,864
Potential rental income per annum:	€ 133,226,095
Market rent per annum:	€ 144,297,558
Multiplier (based on current rent):	14.3-fold
Multiplier (based on potential rent):	13.5-fold
Multiplier (based on market rent):	12.5-fold
Net initial yield (based on current rent):	4.09%

5.2 Breakdown of the portfolio between 'Core' and 'Non-Core'

	Units	Lettable area [sqm]	Net Rental Income [€ p.a.]	Vacancy rate according to lettable area / units	Market Value [€]
Core					
Residential	37,095	2,089,164	115,545,982	5.1%	1,645,525,847
Commercial	856	98,515	7,426,581	13.5%	108,091,352
Parking	5,635		1,065,158	34.7%	16,904,513
Others	1,760		1,387,515	9.7%	19,958,519
TOTAL Core	45,346	2,187,679	125,425,235	5.5%	1,790,480,231
Non-core					
Residential	202	11,794	12,365	96.7%	4,959,897
Commercial	3	176	3,731	29.9%	44,030
Parking	56	0	40,771	83.9%	1,184,300
Others	171	0	30,762	7.6%	471,791
TOTAL Non-core	432	11,969	87,629	95.7%	6,660,018

6 Valuation Definitions

Potential Rental Income

The potential rental income is the annual income generated by a property assuming full occupancy.

It is determined by assuming the letting of vacant spaces at market rents and adding this figure to the net rents generated by a property. The rental income is calculated by using the 28 February 2013 as a reference point and multiplying this figure by 12 months.

Net Rental Income

The net rental income is the income a property effectively generates as at the valuation date, taking into account the existing vacancies.

Market Rent (MR)

The Market Rent is the rent for an unfurnished apartment in the privately financed housing market, without service costs such as heating, electricity or gas. The Market Rent is derived from a comparison with other properties of the same construction, real estate and fit-out category. The economic principle applies that the rent price formation is based upon the interplay between supply and demand in the housing market.

The estimated rental value indicates Jones Lang LaSalle's opinion of the Market Rent, which could be reasonably expected to be achieved on a new letting or rent review at a property at the time of valuation.

Gross Capital Value

The sum of the discounted cash flows for Years 1 to 10 as well as the discounted final value as at the date of valuation.

Net Capital Value

The net capital value results from the gross capital value less the purchaser's costs, which equal the Market Value.

Net Operating Income

The net operating income is calculated by subtracting all non-transferable operating costs from the annual gross profit (current rental income).

Net Initial Yield

The net initial yield is defined as the ratio of the net operating income divided by the gross capital value:

Net Initial Yield =	Net Operating Income
	Gross Capital Value

Net Reversionary Yield

The net reversionary yield is defined as the ratio of the net operating income (based on MR) at full occupancy minus the on-going expenditures (maintenance, management, loss of rental income, agent's fees, vacancy and ground rent costs) to the gross capital value. This yield relates the future growth in net operating income in comparison to the current acquisition costs or value of the property (incl. purchase costs).

Net Reversionary Yield =	Net Operating Income (based on MR)
	Gross Capital Value

Multiplier (with regard to Current Rent)

The multiplier is defined as the ratio of the current rental income to the Market Value.

Multiplier (based on Current Rent) =	Net Market Value
	Current Rent p.a.

Multiplier (with regard to Potential Rent)

The multiplier is defined as the ratio of the potential rent to the Market Value.

Multiplier (based on Potential Rent) =	Net Market Value
	Potential Rent p.a.

Berlin, 23 April 2013
Jones Lang LaSalle GmbH

ppa. Andrew M. Groom MRICS
International Director
Head of Valuation & Transaction Advisory

ppa. Roman Heidrich MRICS
Associate Director
Team Leader Residential Valuation Advisory

APPENDIX 2
2012 AUDITED FINANCIAL STATEMENTS OF WOBA DRESDEN GMBH

WOBA DRESDEN GMBH
Dresden

Audited financial statements

31 December 2012

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Table of Contents

- A. Auditors' report
- B. Financial statements
- C. Notes to the financial statements

The following auditor's opinion (Bestätigungsvermerk) refers to the annual financial statements as well as to the management report prepared on the basis of German Commercial Code (HGB) („Handelsgesetzbuch“: “German Commercial Code”) of WOBA DRESDEN GMBH for the fiscal year ended December 31, 2012 as a whole and not solely to the annual financial statements presented in this Prospectus on the subsequent pages. The above mentioned auditor's opinion (Bestätigungsvermerk) and annual financial statements are both translations of the respective German language documents.

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of WOBA DRESDEN GMBH, Dresden, for the fiscal year from 1 January 2012 to 31 December 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch“: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 26 February 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(signed)

Völker
Wirtschaftsprüfer
[German Public Auditor]

(signed)

Paul
Wirtschaftsprüfer
[German Public Auditor]

Translation from the German language

WOBA DRESDEN GMBH, Dresden
Balance sheet as of 31 December 2012

ASSETS	31 Dec 2012	31 Dec 2011
	EUR	EUR
A. FIXED ASSETS		
I. Property, plant and equipment		
1. Land and land rights with residential buildings	150,802.43	152,347.50
2. Buildings on third-party land	7,028,432.89	7,278,319.99
3. Other equipment, furniture and fixtures	210,647.47	291,475.97
	<u>7,389,882.79</u>	<u>7,722,143.46</u>
II. Financial assets		
1. Shares in affiliates	695,141,057.07	695,141,057.07
2. Equity investments	520.00	520.00
	<u>695,141,577.07</u>	<u>695,141,577.07</u>
	<u>702,531,459.86</u>	<u>702,863,720.53</u>
B. CURRENT ASSETS		
I. Land held for sale and other inventories		
Work in process	1,626,413.97	1,538,780.09
II. Receivables and other assets		
1. Rent receivables	8,068.41	11,389.25
2. Receivables from third-party real estate management	104.30	14.30
3. Receivables from affiliates	33,852,598.33	38,523,242.33
4. Receivables from the shareholder	29,401,104.72	50,427,893.06
5. Other assets	1,528,524.64	213,084.42
	<u>64,790,400.40</u>	<u>89,175,623.36</u>
III. Cash on hand and bank balances		
	1,286,340.84	1,539,532.01
	<u>67,703,155.21</u>	<u>92,253,935.46</u>
C. PREPAID EXPENSES		
	39,531.88	0.00
Total assets	<u>770,274,146.95</u>	<u>795,117,655.99</u>
Trust assets	446,287.86	394,333.24

Translation from the German language

WOBA DRESDEN GMBH, Dresden
Balance sheet as of 31 December 2012

EQUITY AND LIABILITIES	31 Dec 2012	31 Dec 2011
	EUR	EUR
A. EQUITY		
I. Subscribed capital	15,000,000.00	15,000,000.00
II. Capital reserves	355,756,212.13	355,756,212.13
	<u>370,756,212.13</u>	<u>370,756,212.13</u>
B. PROVISIONS		
1. Provisions for pensions and similar obligations	231,472.92	237,561.00
2. Other provisions	4,714,555.10	5,067,792.46
	<u>4,946,028.02</u>	<u>5,305,353.46</u>
C. LIABILITIES		
1. Liabilities to banks	1,275.48	1,275.48
2. Liabilities to other lenders	50,871,919.44	50,871,919.44
3. Prepayments received	1,918,343.61	1,810,288.08
4. Rent liabilities	34,276.87	33,527.30
5. Trade payables	34,337.47	84,343.70
6. Liabilities to affiliates	320,247,490.02	344,308,319.45
7. Liabilities to the shareholder	21,402,504.94	21,886,712.56
8. Other liabilities	61,758.97	59,704.39
thereof for taxes: EUR 61,755.24 (prior year: EUR 59,736.97)		
	<u>394,571,906.80</u>	<u>419,056,090.40</u>
Total equity and liabilities	<u>770,274,146.95</u>	<u>795,117,655.99</u>
Trust liabilities	446,287.86	394,333.24

Translation from the German language

WOBA DRESDEN GMBH, Dresden

Income statement for the period from 1 January to 31 December 2012

	2012	2011
	EUR	EUR
1. Revenue		
a) from real estate management	5,273,355.74	5,170,467.89
b) from third-party real estate management	132,474.88	131,869.70
c) from other trade	12,474,422.00	12,479,387.00
	<u>17,880,252.62</u>	<u>17,781,724.59</u>
2. Increase in work in process	93,882.88	69,583.34
3. Other operating income	730,197.22	1,064,238.51
4. Cost of purchased merchandise and services		
a) Expenses for real estate management	6,438,897.94	6,556,564.54
b) Expenses for land held for sale	91,266.60	1,237.68
c) Cost of other merchandise and services	697,525.83	765,437.50
	<u>7,227,690.37</u>	<u>7,323,239.72</u>
5. Personnel expenses		
a) Wages and salaries	7,021,616.51	8,541,797.94
b) Social security, pension and other benefit costs thereof for old-age pensions: EUR 106,609.54 (prior year: EUR 3,613.19)	1,103,743.39	1,113,502.69
	<u>8,125,359.90</u>	<u>9,655,300.63</u>
6. Depreciation and write-downs of property, plant and equipment	335,077.78	367,038.31
7. Other operating expenses	1,328,500.32	1,873,406.11
8. Income from profit and loss transfer agreements	32,209,439.55	36,867,557.87
9. Other interest and similar income thereof from affiliates: EUR 2,475,096.13 (prior year: EUR 3,292,818.31)	2,487,106.50	3,299,152.59
10. Expenses from loss absorption	126,245.48	135,545.49
11. Interest and similar expenses thereof to affiliates: EUR 12,506,165.70 (prior year: EUR 15,010,192.58) thereof from the unwinding of discounts on provisions: EUR 70,661.00 (prior year: EUR 104,886.00)	14,802,949.97	17,460,900.61
12. Result from ordinary activities	<u>21,455,054.95</u>	<u>22,266,826.03</u>
13. Other taxes	142,535.86	444,809.32
14. Result before profit transfer	<u>21,312,519.09</u>	<u>21,822,016.71</u>
15. Profit transfer	<u>-21,312,519.09</u>	<u>-21,822,016.71</u>
16. Net income for the year	<u>0.00</u>	<u>0.00</u>

Notes to the financial statements

for fiscal year 2012 of
WOBA DRESDEN GMBH, Dresden

A. General

The financial statements of WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "WOBA"), were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for medium-sized corporations.

The Company classifies its balance sheet and income statement in accordance with the regulations on prescribed forms for the classification of the annual financial statements of housing companies in the version dated 25 May 2009.

The fiscal year is the calendar year. Prior-year figures are in parentheses.

The sole shareholder of WOBA is WOBA HOLDING GMBH, Dresden (hereinafter also referred to as "WOBA HOLDING"), with a share of 100%.

On 26 July 2007, WOBA concluded a domination and profit and loss transfer agreement with WOBA HOLDING. The agreement was entered in the commercial register on 2 August 2007 and took retroactive effect as of 1 January 2007.

A profit and loss transfer agreement with Immo Service Dresden GmbH, Dresden (hereinafter also referred to as "ISD"), has been in place since 26 October 2004. The agreement was entered in the commercial register on 13 October 2005 and took effect as of 31 December 2004.

SÜDOST WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "SÜDOST WOBA"), and WOBA concluded a domination and profit and loss transfer agreement on 30 October 2006. The agreement was entered in the commercial register on 15 November 2006 and took retroactive effect as of 1 January 2006.

WOHNBAU NORDWEST GmbH, Dresden (hereinafter also referred to as "WOHNBAU NORDWEST"), and WOBA concluded a domination and profit and loss transfer agreement on 30 October 2006. The agreement was entered in the commercial register on 15 November 2006 and took retroactive effect as of 1 January 2006.

Liegenschaften Weißig GmbH, Dresden (hereinafter also referred to as "LGW"), and WOBA concluded a domination and profit and loss transfer agreement on 30 October 2006. The agreement was entered in the commercial register on 29 November 2006 and took retroactive effect as of 1 January 2006.

Bau- und Siedlungsgesellschaft Dresden mbH, Dresden (hereinafter also referred to as "BSGD"), and WOBA concluded a domination and profit and loss transfer agreement on 30 October 2006. The agreement was entered in the commercial register on 21 November 2006 and took retroactive effect as of 1 January 2006.

The equity investments of WOBA are listed in section C. Notes to the balance sheet and income statement.

B. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Purchased intangible assets are recognized at acquisition cost and are amortized over their useful lives.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. Property, plant and equipment are depreciated over their estimated useful lives. Where necessary, write-downs are charged on fixed assets if their impairment is expected to be permanent in order to recognize them at the lower net realizable value on the balance sheet date.

Building costs for land with residential buildings are largely amortized using the straight-line method over a period of 40 or 50 years.

Other equipment, furniture and fixtures are mainly depreciated over useful lives of 3 to 20 years.

Depreciation of additions to property, plant and equipment is charged pro rata temporis.

Low-value assets with an individual value not exceeding EUR 150.00 are recognized as an expense.

Low-value assets with an individual net value of between EUR 150.01 and EUR 410.00 are fully expensed in the year of acquisition with their immediate disposal being assumed.

For convenience, the collective item procedure applied for tax purposes to low-value assets with an individual net value of between EUR 150.01 and EUR 1,000.00 was also used in the statutory balance sheet in fiscal years 2008 and 2009. The collective item was depreciated by 20% in the year of acquisition and in each of the following four years.

With regard to financial assets, equity investments are recognized at the lower of cost or net realizable value. Write-downs to the lower net realizable value are made if impairment is expected to be permanent.

Work in process is valued at acquisition cost.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. General bad debt allowances account for any other general risks.

In accordance with Sec. 250 (1) Sentence 1 HGB, prepaid expenses were recognized for payments made before the balance sheet date which represent expenses for a certain period after this date.

Provisions for pensions and similar obligations are calculated on the basis of an actuarial report using the projected unit credit method.

The obligations were discounted at the average market interest rate of 5.07% (5.13%) for a residual term of 15 years in accordance with the RückAbzinsV ["Rückstellungsabzinsungsverordnung": German Ordinance on the Discounting of Provisions] of 18 November 2009. Expected salary increases were taken into account at 2.5%; expected pension increases at 2.0%. Employee turnover was taken into account at a rate of 4.5%.

Other provisions account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases).

In accordance with Sec. 253 (2) Sentence 1 HGB, provisions with a residual term of more than one year are discounted at the average market interest rate of the past seven fiscal years for their respective residual terms. The applicable discount rate is determined by Deutsche Bundesbank in accordance with the RückAbzinsV of 18 November 2009 and published monthly.

If the underlying commitment includes an interest portion or constitutes a pension obligation entered into for no consideration, a provision is recognized at the present value using an interest rate of 5.07% (5.13%).

Liabilities are recorded at the settlement value.

To determine deferred taxes arising due to timing or temporary (quasi-permanent) differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the resulting tax burden and relief are valued using the company-specific tax rates at the time the differences reverse; these amounts are not discounted. Deferred tax assets and liabilities are offset. The option not to recognize deferred tax assets was exercised.

Foreign currency assets and liabilities were translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

C. Notes to the balance sheet and income statement

I. Balance sheet

The development of the individual fixed asset items, including amortization, depreciation and write-downs for the fiscal year, is shown in the statement of changes in fixed assets (exhibit 1 to the notes).

In the reporting year, impairment losses of EUR 4k (EUR 0k) were recognized for property, plant and equipment due to expected permanent impairment.

There was no reason to recognize write-ups in the fiscal year (EUR 152k).

List of shareholdings

WOBA holds an equity investment of at least 20.00% in the following companies (disclosures pursuant to Sec. 285 Sentence 1 No. 11 HGB):

	Share in capital %	Equity as of 31 Dec 2012 EUR k	Net income/loss 2012 EUR k	Comments
Direct equity investments				
Immo Service Dresden GmbH, Dresden	100.00	25	4,129	before profit transfer
SÜDOST WOBA DRESDEN GMBH, Dresden	94.90	212,427	12,683	before profit transfer
WOHNBAU NORDWEST GmbH, Dresden	94.90	175,751	15,398	before profit transfer
Liegenschaften Weißig GmbH, Dresden	94.75	226	-55	before loss transfer
Bau- und Siedlungsgesellschaft Dresden mbH, Dresden	94.73	1,673	-71	before loss transfer
Indirect equity investments				
Dienstleistungs- und Bauhof Dresden GmbH, Dresden	100.00	82	52	
Parkhaus Prohlis GmbH, Dresden	70.00	1,159	0	

Work in process mainly includes uninvoiced operating and heating expenses of EUR 1,626k (EUR 1,533k).

Receivables from affiliates include:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Other assets	32,397	35,963
Financial receivables	1,456	1,417
Trade receivables	0	1,143
	<u>33,853</u>	<u>38,523</u>

The decrease in fiscal year 2012 is mainly due to the decline in profit transfers.

Receivables from partners of EUR 29,401k (EUR 50,428k) mainly relate to financial receivables. This decrease mainly results from the decrease in the loan granted to WOBA HOLDING.

As in the prior year, all receivables and other assets are due in less than one year.

The Company has cash and cash equivalents of EUR 1,286k (EUR 1,540k), of which EUR 182k (EUR 188k) is restricted and EUR 1,103k (EUR 1,352k) is freely available.

Restricted cash and cash equivalents comprise interest for global loans of EUR 181k (EUR 187k), which is not due until after the balance sheet date.

Another EUR 1k (EUR 1k) of cash and cash equivalents is restricted since it will have to be used either to acquire new properties or repay global loans.

The remaining amount of EUR 1k (EUR 1k) of restricted cash and cash equivalents is deposited for guarantee facilities.

Prepaid expenses of EUR 40k (EUR 0k) include prepaid rent and incidental expenses for January 2013.

Other provisions break down as follows:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Provisions for phased retirement	1,608	1,656
Provisions for reorganization	1,164	1,497
Personnel provisions	1,147	1,022
Provisions for restructuring, personnel	677	766
Provisions for maintenance services rendered	47	28
Miscellaneous	72	99
	<u>4,715</u>	<u>5,068</u>

The liabilities including their residual terms are listed individually in the statement of liabilities (exhibit 2 to the notes).

Liabilities to other lenders relate to the global loan of Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. Lehman Brothers Europe Limited i. L. and Deutsche Bank AG transferred all of the respective loan receivable to other lenders. The Company's loan liability was recognized as a liability to other lenders in the balance sheet as all of the other lenders are known to the Company.

Liabilities to affiliates include:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Financial liabilities	303,017	328,207
Trade payables	14,973	15,296
Other liabilities	2,257	805
	<u>320,247</u>	<u>344,308</u>

The decrease mainly results from offsetting the profit transfers made in fiscal year 2011.

Liabilities to partners of EUR 21,403k (EUR 21,887k) relate exclusively to other liabilities.

Contingent liabilities

Together with WOHNBAU NORDWEST, SÜDOST WOBA, LGW and WOBA HOLDING, WOBA has assumed joint liability for a loan liability due to other lenders. The loan originally amounted to EUR 1,201,000k but was reduced to EUR 1,042,988k as of the balance sheet date.

These contingent liabilities are not expected to result in any claims against the Company as the loan is being repaid as scheduled by the companies involved.

Other financial obligations

Several actions of the city of Dresden, capital of the Free State of Saxony, against WOBA HOLDING and other WOBA companies were settled in March 2012 via settlement agreements. These settlement agreements provide for several amendments to the social protection provisions of the privatization agreement between the WOBA companies and the city of Dresden.

In addition, the city of Dresden is to receive nine annual payments for the period between 2012 and 2020 in the amount of EUR 4,000k per year (a total of EUR 36,000k), 40% of which will be invested in social projects that are to primarily benefit WOBA's tenants in Dresden. The WOBA companies have also borne the litigation costs of the city of Dresden up to an amount of EUR 4,000k. All litigation costs borne thereafter have since been paid to the city of Dresden by the WOBA companies.

Additional other financial obligations resulted from the loan agreement with other lenders. These included average minimum expenditures for ongoing repair and maintenance work, modernization work and recurring capital expenditures of EUR 5.95/m² p.a. over a period of three consecutive years applied to the original portfolio acquired by the city of Dresden or an amount in line with industry standards taking account of the age and construction type of the units contained in the portfolio.

Under the privatization agreement for the WOBA subgroup, the Company is obliged to the city of Dresden to comply with minimum maintenance requirements. These include certain average minimum expenditures for ongoing repair and maintenance work, modernization work and recurring annual capital expenditures over a period of three consecutive years applied to the original portfolio acquired by the city of Dresden or an amount in line with industry standards taking account of the age and construction type of the units contained in the portfolio. This obligation is valid until April 2016.

The loan agreement with Deutsche Bank AG, London, UK, and Lehman Brothers Europe Limited i. L., London, UK, required the Company to comply with social protection provisions under the privatization agreement and therefore with the aforementioned maintenance obligations. The respective loan receivable was fully transferred to other lenders by Deutsche Bank AG, London, UK, and Lehman Brothers Europe Limited i. L., London, UK.

This loan agreement was replaced by a new loan agreement with an international lender on 20 February 2013. This includes minimum expenditures for ongoing maintenance of EUR 10.50/m² applied to the average portfolio in that year. It is possible to carry forward excess amounts to the following year or to recover shortfalls in the subsequent year.

Due to the settlement agreement with the city of Dresden concluded in March 2012, the Company is required to comply with another minimum maintenance requirement. This condition requires the Company to ensure that a certain average minimum annual amount for maintenance work per square meter of residential space is invested over a period of three consecutive years. This provision applies until April 2021.

GAGFAH M Immobilien-Management GmbH, Essen, and WOBA as the contracting parties have concluded master agreements on maintenance services with B&O Service- und Messtechnik AG, Bad Aibling, as the contractor.

The conclusion of these master agreements has enabled the individual property-owning companies of the GAGFAH Group to further improve the efficiency of maintenance with regard to cost and quality.

Under this agreement, the contracting parties guarantee in particular that the individual asset companies of the GAGFAH Group will commission the contractor with maintenance of EUR 24,000k each in the subsequent two years. Moreover, the contractor operates a call center for the GAGFAH Group in order to guarantee timely and efficient processing of maintenance orders. In addition, the GAGFAH Group agrees to compensate the contractor for fixed costs besides commissioning it with maintenance work. Based on the share of properties owned by WOBA as of the balance sheet date, the Company expects to commission maintenance services totaling EUR 360k in the subsequent two years under this master agreement.

Other financial obligations result from the lease agreement shown below concluded with Immobilien-Vermietungsgesellschaft Knappertsbusch & Co. SÜDOST WOBA Striesen KG (now 12. CR Immobilien-Vermietungsgesellschaft mbH & Co. SÜDOST WOBA Striesen KG). By agreement dated 21 December 2004, WOBA and SÜDOST WOBA arranged for internal purposes to act as if the rights and obligations under the lease concluded between SÜDOST WOBA and Immobilien-Vermietungsgesellschaft Knappertsbusch & Co. SÜDOST WOBA Striesen KG had been transferred to WOBA as of 1 January 2005 in discharge of the previous debtor.

The rent for the lease agreement concluded between SÜDOST WOBA and Immobilien-Vermietungsgesellschaft Knappertsbusch & Co SÜDOST WOBA Striesen KG for the years up to August 2019 amount to EUR 3,936k p.a. For the period from September 2019 to 2029, the annual lease payments are linked to the interest rate trend. In addition, the lessor has a put option, according to which it may offer the leased property for sale to the Company as of 30 August 2029 and the Company would be obliged to accept the offer. The purchase price corresponds to the agreed contractual residual value as of the date of purchase, but must not exceed the residual book value for tax purposes of the hereditary building right plus buildings and facilities, net of straight-line depreciation.

Other financial obligations amount to EUR 2,048k (EUR 3,523k). These relate to the following:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Payment obligations under rental agreements	2,012	3,480
Payment obligations under lease agreements and other costs IT	36	43
	<u>2,048</u>	<u>3,523</u>

The rental and lease agreements expire between 2013 and 2017.

Related party transactions

The Company granted loans to affiliates and partners in the fiscal year. These loans are not secured. The loan receivables came to EUR 30,729k (EUR 51,656k) as of the balance sheet date and are payable on demand. The associated interest income amounts to EUR 1,646k (EUR 2,176k).

In addition, the Company received loans from affiliates in the fiscal year. These loans are not secured. The loan liabilities came to EUR 302,174k (EUR 326,992k) as of the balance

Translation from the German language

sheet date and are payable on demand. The associated interest expenses amount to EUR 11,115k (EUR 14,091k).

II. Income statement

For a breakdown of revenue, which was fully generated in Germany, please refer to the income statement.

The income statement includes the following **out-of-period** income:

	2012 EUR k	2011 EUR k
Income from the reversal of provisions	37	191
Income from expense adjustments	36	3
Income from the write-off of liabilities	7	8
	<u>80</u>	<u>202</u>

Expenses for land held for sale of EUR 91k (EUR 1k) include expenses for sales preparation of EUR 81k (EUR 1k) and sales commissions of EUR 10k (EUR 0k).

The income statement includes the following **out-of-period** expenses:

	2012 EUR k	2011 EUR k
Expenses from write-offs of receivables	67	0
Losses from the disposal of fixed assets	1	0
Expenses from income adjustments for real estate management	0	207
Write-downs of receivables	0	75
Maintenance expenses	0	39
Personnel expenses	0	1
Expenses from income adjustments for other merchandise and services	0	1
	<u>68</u>	<u>323</u>

Other taxes of EUR 143k (EUR 445k) mainly relate to real estate taxes of EUR 136k (EUR 136k) that are charged on to tenants. In addition, VAT backpayments for prior years of EUR 297k were payable in the prior year.

D. Restatement of prior-year figures

In order to improve the clarity of presentation of the net assets in accordance with Sec. 264 (2) Sentence 1 HGB and to improve the comparability, the prior-year figures of liabilities to banks and liabilities to other lenders were restated so that the former liability to Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK, which was fully transferred to other lenders by Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK, is now recognized under liabilities to other lenders as the other lenders are known to the Company.

E. Other notes

Corporate bodies

Members of management

Mr. William Joseph Brennan (until 31 March 2012)

Chief Executive Officer and Chairman of the management board of the GAGFAH Group

Mr. Stephen Charlton

Chief Executive Officer and

Chairman of the management board of the GAGFAH Group (since 1 April 2012)

Chief Financial Officer of the GAGFAH Group (until 31 March 2012)

Mr. Stefan de Greiff (until 19 June 2012)

Chief Investment and Sales Officer of the GAGFAH Group

Mr. Nicolai Kuss

Chief Operating Officer of the GAGFAH Group

Mr. Gerald Klinck (since 5 November 2012)

Chief Financial Officer of the GAGFAH Group

Members of the supervisory board

Mr. Jonathan Ashley

Managing director of Fortress Investment Group (UK)

Mr. Detlef Claus

Commercial employee (employee representative)

Ms. Banafsheh Geretzki (until 28 February 2012)

Head of the business development department of the GAGFAH Group

Mr. Yvo Postleb (chairman)

General manager of Fortress Germany Asset Management GmbH

Mr. Detlef Sittel (since 30 May 2012)

Deputy mayor of the city of Dresden

Mr. Raphael Söhngen (since 29 February 2012)

Associate of Fortress Investment Group (UK)

Total remuneration of the members of management and of the supervisory board

The members of management and the supervisory board did not receive any remuneration from the Company in fiscal year 2012.

Pension payments of EUR 29k (EUR 29k) were made to former general managers and their surviving dependents in the fiscal year. The provision for this group of beneficiaries amounted to EUR 215k (EUR 225k).

Employees

The average number of employees in the fiscal year (excluding management) breaks down as follows:

	Employees	
Real estate management	112	(117)
Sales and marketing	2	(2)
Other	9	(10)
	<u>123</u>	<u>(129)</u>

In addition, an average of 30 (33) trainees and 7 (6) part-time staff were employed.

Group relationships

The company which prepares the consolidated financial statements for the smallest and largest group of companies is GAGFAH S.A., rue Beck, 1222 Luxembourg, Luxembourg. The consolidated financial statements are available from the Company's registered office in Luxembourg or at www.gagfah.com.

The Company is exempt from the obligation to prepare consolidated financial statements and a group management report in accordance with Sec. 291 (1) HGB.

F. Appropriation of net income

In accordance with the domination and profit and loss transfer agreement, WOBA's net income for the year of EUR 21,312,519.09 was transferred to WOBA HOLDING.

Dresden, 26 February 2013

The Management of WOBA DRESDEN GMBH

Charlton

Klinck

Kuss

Statement of changes in fixed assets of WOBA DRESDEN GMBH, Dresden

	Gross values				Amortization, depreciation and write-downs				Net book values	
	Acquisition/ production cost	Additions	Disposals	Acquisition/ production cost	Accumulated amortization, depreciation and write- downs	Additions	Disposals	Accumulated amortization, depreciation and write- downs	Net book value	Net book value
	1 Jan 2012 EUR	EUR	EUR	31 Dec 2012 EUR	1 Jan 2012 EUR	EUR	EUR	31 Dec 2012 EUR	31 Dec 2012 EUR	31 Dec 2011 EUR
I. Intangible assets										
Franchises, industrial and similar rights and assets, and licenses in such rights and assets	1,029,147.39	0.00	0.00	1,029,147.39	1,029,147.39	0.00	0.00	1,029,147.39	0.00	0.00
Total intangible assets	1,029,147.39	0.00	0.00	1,029,147.39	1,029,147.39	0.00	0.00	1,029,147.39	0.00	0.00
I. Property, plant and equipment										
1. Land and land rights with residential buildings	204,148.05	0.00	0.00	204,148.05	51,800.55	1,545.07	0.00	53,345.62	150,802.43	152,347.50
2. Buildings on third-party land	12,303,551.91	0.00	0.00	12,303,551.91	5,025,231.92	249,887.10	0.00	5,275,119.02	7,028,432.89	7,278,319.99
3. Other equipment, furniture and fixtures	1,805,695.70	3,814.24	211,066.72	1,598,443.22	1,514,219.73	83,645.61	210,069.59	1,387,795.75	210,647.47	291,475.97
Total property, plant and equipment	14,313,395.66	3,814.24	211,066.72	14,106,143.18	6,591,252.20	335,077.78	210,069.59	6,716,260.39	7,389,882.79	7,722,143.46
II. Financial assets										
1. Shares in affiliates	695,141,057.07	0.00	0.00	695,141,057.07	0.00	0.00	0.00	0.00	695,141,057.07	695,141,057.07
2. Equity investments	520.00	0.00	0.00	520.00	0.00	0.00	0.00	0.00	520.00	520.00
Total financial assets	695,141,577.07	0.00	0.00	695,141,577.07	0.00	0.00	0.00	0.00	695,141,577.07	695,141,577.07
Total fixed assets	710,484,120.12	3,814.24	211,066.72	710,276,867.64	7,620,399.59	335,077.78	210,069.59	7,745,407.78	702,531,459.86	702,863,720.53

Translation from the German language

Statement of liabilities of WOBA DRESDEN GMBH, Dresden

Exhibit 2 to the notes

The due dates of the liabilities and the securing liens and other rights break down as follows:

Liabilities	Total		Thereof						secured	Type of collateral
	31 Dec 2012 EUR	31 Dec 2011 EUR	due in							
			up to one year		one to five years		more than five years			
			31 Dec 2012 EUR	31 Dec 2011 EUR	31 Dec 2012 EUR	31 Dec 2011 EUR	31 Dec 2012 EUR	31 Dec 2011 EUR	EUR	
1. Liabilities to banks	1,275.48	(1,275.48)	1,275.48	(1,275.48)	0.00	(0.00)	0.00	(0.00)	0.00	
2. Liabilities to other lenders	50,871,919.44	(50,871,919.44)	50,871,919.44	(279,785.74)	0.00	(50,592,133.70)	0.00	(0.00)	50,871,919.44	Real estate liens
3. Prepayments received	1,918,343.61	(1,810,288.08)	1,918,343.61	(1,810,288.08)	0.00	(0.00)	0.00	(0.00)	0.00	
4. Rent liabilities	34,276.87	(33,527.30)	34,276.87	(33,527.30)	0.00	(0.00)	0.00	(0.00)	0.00	
5. Trade payables	34,337.47	(84,343.70)	34,337.47	(84,343.70)	0.00	(0.00)	0.00	(0.00)	0.00	
6. Liabilities to affiliates	320,247,490.02	(344,308,319.45)	310,019,873.49	(333,847,160.93)	1,290,360.62	(1,322,085.40)	8,937,255.91	(9,139,073.12)	0.00	
7. Liabilities to the shareholder	21,402,504.94	(21,886,712.56)	21,402,504.94	(21,886,712.56)	0.00	(0.00)	0.00	(0.00)	0.00	
8. Other liabilities	61,758.97	(59,704.39)	61,758.97	(59,704.39)	0.00	(0.00)	0.00	(0.00)	0.00	
thereof for taxes:	61,755.24	(59,736.97)	61,755.24	(59,736.97)	0.00	(0.00)	0.00	(0.00)	0.00	
Total liabilities	394,571,906.80	(419,056,090.40)	384,344,290.27	(358,002,798.18)	1,290,360.62	(51,914,219.10)	8,937,255.91	(9,139,073.12)	50,871,919.44	

APPENDIX 3
2011 AUDITED FINANCIAL STATEMENTS OF WOBA DRESDEN GMBH

WOBA DRESDEN GMBH
Dresden

Audited financial statements

31 December 2011

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Table of Contents

- A. Auditors' report
- B. Financial statements
- C. Notes to the financial statements

The following auditor's opinion (Bestätigungsvermerk) refers to the annual financial statements as well as to the management report prepared on the basis of German Commercial Code (HGB) („Handelsgesetzbuch“: “German Commercial Code”) of WOBA DRESDEN GMBH for the fiscal year ended December 31, 2011 as a whole and not solely to the annual financial statements presented in this Prospectus on the subsequent pages. The above mentioned auditor's opinion (Bestätigungsvermerk) and annual financial statements are both translations of the respective German language documents.

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of WOBA DRESDEN GMBH, Dresden, for the fiscal year from 1 January 2011 to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch“: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the

opportunities and risks of future development.

Eschborn/Frankfurt am Main, 23 March 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(signed)

Völker
Wirtschaftsprüfer
[German Public Auditor]

(signed)

Helms
Wirtschaftsprüfer
[German Public Auditor]

Translation from the German language

WOBA DRESDEN GMBH, Dresden
Balance sheet as of 31 December 2011

ASSETS	31 Dec 2011	31 Dec 2010
	EUR	EUR
A. FIXED ASSETS		
I. Intangible assets		
Purchased franchises, industrial and similar rights	0.00	1.02
II. Property, plant and equipment		
1. Land and land rights with residential buildings	152,347.50	0.00
2. Buildings on third-party land	7,278,319.99	7,528,207.12
3. Other equipment, furniture and fixtures	291,475.97	386,997.75
	<u>7,722,143.46</u>	<u>7,915,204.87</u>
III. Financial assets		
1. Shares in affiliates	695,141,057.07	695,141,057.07
2. Equity investments	520.00	520.00
	<u>695,141,577.07</u>	<u>695,141,577.07</u>
	<u>702,863,720.53</u>	<u>703,056,781.94</u>
B. CURRENT ASSETS		
I. Land held for sale and other inventories		
Work in process	1,538,780.09	1,469,196.75
II. Receivables and other assets		
1. Rent receivables	11,389.25	16,386.21
2. Receivables from third-party real estate management	14.30	0.00
3. Receivables from affiliates	38,523,242.33	53,109,508.63
4. Receivables from shareholders	50,427,893.06	49,108,894.97
5. Other assets	213,084.42	97,757.64
	<u>89,175,623.36</u>	<u>102,332,547.45</u>
III. Cash on hand and bank balances		
	1,539,532.01	647,241.97
	<u>92,253,935.46</u>	<u>104,448,986.17</u>
Total assets	<u>795,117,655.99</u>	<u>807,505,768.11</u>
Trust assets	394,333.24	329,977.10

Translation from the German language

WOBA DRESDEN GMBH, Dresden
Balance sheet as of 31 December 2011

EQUITY AND LIABILITIES	31 Dec 2011	31 Dec 2010
	EUR	EUR
A. EQUITY		
I. Subscribed capital	15,000,000.00	15,000,000.00
II. Capital reserves	355,756,212.13	355,756,212.13
	<u>370,756,212.13</u>	<u>370,756,212.13</u>
B. PROVISIONS		
1. Provisions for pensions and similar obligations	237,561.00	251,217.00
2. Other provisions	5,067,792.46	4,509,877.67
	<u>5,305,353.46</u>	<u>4,761,094.67</u>
C. LIABILITIES		
1. Liabilities to banks	50,873,194.92	50,873,194.92
2. Prepayments received	1,810,288.08	1,778,339.05
3. Rent liabilities	33,527.30	41,406.84
4. Trade payables	84,343.70	15,640.96
5. Liabilities to affiliates	344,308,319.45	339,134,043.54
6. Liabilities to shareholders	21,886,712.56	39,794,707.70
7. Other liabilities	59,704.39	351,129.32
thereof for taxes: EUR 59,736.97 (prior year: EUR		
thereof for social security:		
EUR 0.00 (prior year: EUR 2,100.00)		
	<u>419,056,090.40</u>	<u>431,988,462.33</u>
Total equity and liabilities	<u>795,117,655.99</u>	<u>807,505,769.13</u>
Trust liabilities	394,333.24	329,977.10

Translation from the German language

WOBA DRESDEN GMBH, Dresden

Income statement for the period from 1 January to 31 December 2011

	EUR	2011 EUR	2010 EUR
1. Revenue			
a) from real estate management	5,170,467.89		4,597,787.1
b) from third-party real estate management	131,869.70		131,707.1
c) from other trade	12,479,387.00		13,224,197.1
		17,781,724.59	17,953,691.1
2. Increase in work in process		69,583.34	454,946.1
3. Other operating income		1,064,238.51	2,252,262.1
4. Cost of purchased merchandise and services			
a) Expenses for real estate management	6,556,564.54		6,537,663.1
b) Expenses for land held for sale	1,237.68		92,802.1
c) Cost of other merchandise and services	765,437.50		683,760.1
		7,323,239.72	7,314,226.1
5. Personnel expenses			
a) Wages and salaries	8,541,797.94		8,140,516.1
b) Social security, pension and other benefit costs thereof for old-age pensions: EUR 3,613.19 (prior year: EUR 19,348.09)	1,113,502.69		1,250,420.1
		9,655,300.63	9,390,937.1
6. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment		367,038.31	437,079.1
7. Other operating expenses		1,873,406.11	2,306,554.1
8. Income from profit and loss transfer agreements		36,867,557.87	51,344,022.1
9. Other interest and similar income		3,299,152.59	1,058,336.1
10. Expenses from loss absorption		135,545.49	150,920.1
11. Interest and similar expenses thereof to affiliates: EUR 14,207,727.48 (prior year: EUR 9,794,487.68) thereof from the unwinding of discounts on provisions: EUR 104,886.00 (prior year: EUR 0.00)		17,460,900.61	13,533,974.1
12. Result from ordinary activities		22,266,826.03	39,929,565.1
13. Extraordinary expenses		0.00	54,178.1
14. Extraordinary result		0.00	-54,178.1
15. Other taxes		444,809.32	151,833.1
16. Result before profit transfer		21,822,016.71	39,723,554.1
17. Profit transfer		-21,822,016.71	-39,723,554.1
18. Net income for the year		0.00	0.1

Notes to the financial statements

for fiscal year 2011 of
WOBA DRESDEN GMBH, Dresden

A. General

The financial statements of WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "WOBA"), were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for medium-sized corporations.

The Company classifies its balance sheet and income statement in accordance with the regulations on prescribed forms for the classification of the annual financial statements of housing companies in the version dated 25 May 2009.

The fiscal year is the calendar year. Prior-year figures are in parentheses.

The shareholder of WOBA is WOBA HOLDING GMBH, Dresden (hereinafter also referred to as "WOBA HOLDING"), with a share of 100%.

On 26 July 2007, WOBA concluded a domination and profit and loss transfer agreement with WOBA HOLDING. The agreement was entered in the commercial register on 2 August 2007 and took retroactive effect as of 1 January 2007.

A profit and loss transfer agreement with Immo Service Dresden GmbH, Dresden (hereinafter also referred to as "ISD"), has been in place since 26 October 2004. The agreement was entered in the commercial register on 13 October 2005 and took effect as of 31 December 2004.

WOHNBAU NORDWEST GmbH, Dresden (hereinafter also referred to as "WOHNBAU NORDWEST"), and WOBA concluded a domination and profit and loss transfer agreement on 30 October 2006. The agreement was entered in the commercial register on 15 November 2006 and took retroactive effect as of 1 January 2006.

On 30 October 2006, SÜDOST WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "SÜDOST WOBA"), concluded a domination and profit and loss transfer agreement with WOBA. The agreement was entered in the commercial register on 15 November 2006 and took retroactive effect as of 1 January 2006.

Bau- und Siedlungsgesellschaft Dresden mbH, Dresden (hereinafter also referred to as "BSGD"), and WOBA concluded a domination and profit and loss transfer agreement on 30 October 2006. The agreement was entered in the commercial register on 21 November 2006 and took retroactive effect as of 1 January 2006.

Liegenschaften Weißig GmbH, Dresden (hereinafter also referred to as "LGW"), and WOBA concluded a domination and profit and loss transfer agreement on 30 October 2006. The agreement was entered in the commercial register on 29 November 2006 and took retroactive effect as of 1 January 2006.

The equity investments of WOBA are listed in section D. Other notes.

B. Accounting and valuation methods

The following accounting and valuation methods were essentially used to prepare the financial statements.

Purchased intangible assets are recognized at acquisition cost and are amortized over their useful lives.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. Property, plant and equipment are depreciated over their estimated useful lives. Where necessary, write-downs are charged on fixed assets if their impairment is expected to be permanent in order to recognize them at the lower net realizable value on the balance sheet date.

Building costs for land with residential buildings are largely amortized using the straight-line method over a period of 40 or 50 years.

Depreciation of additions to property, plant and equipment is charged pro rata temporis.

Low-value assets with an individual value not exceeding EUR 150.00 are recognized in operating expenses.

Low-value assets with a net value of between EUR 150.01 and EUR 410.00 are fully expensed in the year of acquisition with their immediate disposal being assumed.

In fiscal years 2008 and 2009, low-value assets with a net value of between EUR 150.01 and EUR 1,000.00 were recognized in a collective item and depreciated over five years.

With regard to financial assets, equity investments are recognized at the lower of cost or net realizable value. Write-downs to the lower net realizable value are made if permanent impairment is assumed.

Work in process is valued at acquisition cost.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. The general credit risk is provided for by a general bad debt allowance.

Provisions for pensions are calculated on the basis of an actuarial report using the projected unit credit method. The simplification rule of Sec. 253 (2) Sentence 2 HGB was used for discounting. Under this rule, provisions for pension obligations or similar long-term obligations are discounted at the average market interest rate of 5.13% (5.17%) based on an assumed residual term of 15 years.

The valuation parameters used for the calculation on the valuation date are presented in section C. Notes to the balance sheet and income statement.

Tax provisions and other provisions account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases).

In accordance with Sec. 253 (2) Sentence 1 HGB, provisions with a residual term of more than one year are discounted at the average market interest rate of the past seven fiscal years for their respective residual terms. The applicable discount rate is determined by Deutsche Bundesbank pursuant to an executive ordinance and published monthly.

If the underlying commitment includes an interest portion or constitutes a pension obligation entered into for no consideration, a provision is recognized at the present value.

Liabilities are recorded at the settlement value.

To determine deferred taxes arising due to timing or temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the resulting tax burden and relief are valued using the company-specific tax rates at the time the differences reverse; these amounts are not discounted. Deferred tax assets and liabilities are offset. The option not to recognize deferred tax assets was exercised.

C. Notes to the balance sheet and income statement

I. Balance sheet

The development of the individual fixed asset items, including amortization, depreciation and write-downs for the fiscal year, is shown in the statement of changes in fixed assets (exhibit 1 to the notes).

In the fiscal year, impairment losses of EUR 152k (EUR 0k) were reversed as the reasons for the impairment losses recognized in prior years no longer applied.

Work in process mainly includes uninvoiced operating and heating expenses of EUR 1,533k (EUR 1,463k).

As in the prior year, all receivables and other assets are due in less than one year.

The Company has cash and cash equivalents of EUR 1,540k (EUR 647k), of which EUR 188k (EUR 188k) is restricted and EUR 1,352k (EUR 459k) is freely available.

Restricted cash and cash equivalents include interest for loans of EUR 187k (EUR 187k), which is not due until after the balance sheet date. Another EUR 1k (EUR 1k) of cash and cash equivalents is restricted since it will have to be used either to acquire new properties or repay global loans. The remaining amount of EUR 1k (EUR 1k) of restricted cash and cash equivalents is deposited for guarantee facilities.

As in the prior year, the following parameters were used for the purpose of the actuarial calculation of provisions for pensions of EUR 238k (EUR 251k):

Parameters (in %)	
Future pension increases	2.0
Future salary increases	2.5
Turnover	4.5

Mortality and invalidity rates were taken into account using the 2005 G Heubeck mortality tables of Prof. Klaus Heubeck adjusted in 2011 (prior year: 2005 G mortality tables adjusted in 2010).

Other provisions break down as follows:

	31 Dec 2011	31 Dec 2010
	EUR k	EUR k
Provisions for phased retirement	1,656	1,503
Provisions for reorganization	1,497	1,360
Personnel provisions	1,022	1,059
Provisions for restructuring, personnel	766	341
Provisions for maintenance services rendered	28	42
Miscellaneous	99	205
	<u>5,068</u>	<u>4,510</u>

The liabilities including their residual terms are listed individually in the statement of liabilities (exhibit 2 to the notes). Liabilities to banks relate to loan agreements with Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. Lehman Brothers Europe Limited i. L. and Deutsche Bank AG syndicated all or part of the respective loan receivable to other lenders. As not all of the other lenders are known to the Company, the balance sheet item remains unchanged.

Contingent liabilities

Together with WOHNBAU NORDWEST, SÜDOST WOBA, LGW and WOBA HOLDING, WOBA assumed joint liability for a loan liability due to Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. The loan originally amounted to EUR 1,201,000k but was reduced to EUR 1,081,430k as of the balance sheet date.

These contingent liabilities are not expected to result in any claims against the Company as the loan is being repaid as scheduled by the companies involved.

Off-balance sheet transactions pursuant to Sec. 285 No. 3 HGB and other financial obligations pursuant to Sec. 285 No. 3a HGB

GAGFAH M Immobilien-Management GmbH, Essen (hereinafter also referred to as "GAGFAH M"), has concluded a master agreement on maintenance services jointly with WOBA, as the contracting parties, with B&O Service- und Messtechnik AG, Bad Aibling, as the contractor.

The conclusion of this master agreement has enabled the individual property-owning companies of the GAGFAH Group to further improve the efficiency of maintenance with regard to cost and quality.

Under this agreement, the contracting parties guarantee in particular that the individual asset companies of the GAGFAH Group will commission the contractor with maintenance of EUR 24,000k in the coming year and maintenance totaling EUR 36,000k in the subsequent two years. Moreover, the contractor operates a call center for the GAGFAH Group in order to guarantee timely and efficient processing of maintenance orders. In addition, the GAGFAH Group agrees to compensate the contractor for fixed costs besides commissioning it with maintenance work. Based on the share of properties owned by WOBA as of the balance sheet date, the Company expects to commission maintenance services totaling EUR 237k in the next three years under this master agreement.

Other financial obligations amount to EUR 3,523k (EUR 3,048k). These relate to the following:

	31 Dec 2011 EUR k	31 Dec 2010 EUR k
Payment obligations under rental agreements	3,480	2,761
Payment obligations under lease agreements and other costs IT	43	287
	<u>3,523</u>	<u>3,048</u>

The rental and lease agreements expire between 2012 and 2017.

Other financial obligations relate to the following lease agreement concluded with SÜDOST WOBA. By agreement dated 21 December 2004, WOBA and SÜDOST WOBA arranged for internal purposes to act as if the rights and obligations under the lease concluded between SÜDOST WOBA and Immobilien-Vermietungsgesellschaft Knappertsbusch & Co. SÜDOST WOBA Striesen KG (hereinafter also referred to as "Striesen KG"), Leipzig, had been transferred to WOBA as of 1 January 2005 in discharge of the previous debtor.

The rent for the lease agreement concluded between Striesen KG and SÜDOST WOBA for the years up to 2011 amount to EUR 3,931k p.a. For the period from 2012 to 2029, the annual lease payments are linked to the interest rate trend. In addition, the lessor has a put option, according to which it may offer the leased property for sale to the Company as of 30 August 2029 and the Company would be obliged to accept the offer. The purchase price corresponds to the agreed contractual residual value as of the date of purchase, but must not exceed the residual book value for tax purposes of the hereditary building right plus buildings and facilities, net of straight-line depreciation.

Trust assets and trust liabilities

Rent deposits are kept in trust accounts held at Aareal Bank AG. Bank balances for these rent deposits amount to EUR 394k (EUR 330k).

II. Income statement

For a breakdown of revenue, please refer to the income statement.

The income statement includes the following **out-of-period** income:

	2011 EUR k	2010 EUR k
Income from the reversal of provisions	191	1,058
Income from the write-off of liabilities	8	3
Income from expense adjustments from prior years	3	1
Income from prior years from real estate management	0	1
	<u>202</u>	<u>1,063</u>

Expenses for land held for sale of EUR 1k (EUR 93k) mainly include expenses from the disposal of fixed assets at a residual book value of EUR 0k (EUR 91k).

In the prior year, personnel expenses included allocations to provisions for pensions and similar obligations as well as to other long-term personnel provisions (phased retirement, long-service awards). EUR 27k of the allocations were attributable to expenses from the unwinding of discounts on these provisions. In fiscal year 2011, these expenses were reported in the income statement under interest and similar expenses. Prior-year figures were not restated.

The income statement includes the following **out-of-period** expenses:

	2011 EUR k	2010 EUR k
Income adjustments for real estate management	207	0
Write-downs of receivables	75	0
Maintenance expenses	39	3
Personnel expenses from prior years	1	1
Income adjustments for other merchandise and services	1	0
	<u>323</u>	<u>4</u>

Other taxes of EUR 445k (EUR 152k) mainly relate to real estate taxes of EUR 144k (EUR 148k) that are charged on to tenants and VAT backpayments for prior years of EUR 297k (EUR 0k).

D. Other notes

List of shareholdings

WOBA holds an equity investment of at least 20.00% in the following companies (disclosures pursuant to Sec. 285 Sentence 1 No. 11 HGB):

	Share in capital %	Equity as of 31 Dec 2011 EUR k	Net income/ loss 2011 EUR k	Comments
Direct equity investments				
ISD	100.00	25	5,545	before profit and loss transfer
SÜDOST WOBA	94.90	212,427	10,189	before profit and loss transfer
WOHNBAU NORDWEST	94.90	175,751	21,134	before profit and loss transfer
LGW	94.75	226	-75	before loss absorption
BSGD	94.73	1,673	-60	before loss absorption
Indirect equity investments				
Dienstleistungs- und Bauhof GmbH, Dresden	100.00	30	-536	
Parkhaus Prohlis GmbH, Dresden	70.00	1,159	0	

Corporate bodies

Members of management

Mr. William Joseph Brennan

Chief Executive Officer and Chairman of the management board of the GAGFAH Group

Mr. Stefan de Greiff

Chief Investment and Sales Officer of the GAGFAH Group

Mr. Nicolai Kuss

Chief Operating Officer of the GAGFAH Group

Mr. Stephen Charlton (since 21 January 2011)

Chief Financial Officer of the GAGFAH Group

Members of the supervisory board

Mr. Karim Bohn (until 13 May 2011)

Deputy Chief Financial Officer of the GAGFAH Group

Mr. Peter Bossert (until 13 May 2011)

Commercial employee (employee representative)

Ms. Banafsheh Geretzki (until 28 February 2012)

Head of the business development department of the GAGFAH Group

Mr. Frank Kewitz (until 13 May 2011)

Vice President of Fortress Investment Group Germany GmbH

Mr. Yvo Postleb

General manager of Fortress Germany Asset Management GmbH

Mr. Hartmut Vorjohann (until 10 May 2011)

Mayor of the city of Dresden, capital of the Free State of Saxony

Mr. Jonathan Ashley (since 13 May 2011)

Managing director of Fortress Investment Group (UK)

Mr. Detlef Claus (until 13 May 2011/since 31 May 2011)

Commercial employee (employee representative)

Mr. Raphael Söhngen (since 29 February 2012)

Associate of Fortress Investment Group (UK)

Disclosures pursuant to Sec. 285 Sentence 1 Nos. 9 a) and b) HGB

The members of management and the supervisory board did not receive any remuneration from the Company in fiscal year 2011.

Employees

The average number of employees in the fiscal year (excluding management) breaks down as follows:

	<u>Employees</u>	
Real estate management	117	(114)
Sales and marketing	2	(3)
Other	10	(14)
	<u>129</u>	<u>(131)</u>

In addition, an average of 33 (36) trainees and 6 (6) mini-jobbers were employed.

Disclosures pursuant to Sec. 285 (21) HGB/related party transactions

The Company granted loans to affiliates in the fiscal year. These loans are not secured. The loan receivables came to EUR 51,656k (EUR 50,446k) as of the balance sheet date and are payable on demand. The associated interest income amounts to EUR 2,176k (EUR 549k).

In addition, the Company received loans from affiliates in the fiscal year. These loans are not secured. The loan liabilities came to EUR 326,992k (EUR 317,409k) as of the balance sheet date and are payable on demand. The associated interest expenses amount to EUR 14,091k (EUR 11,085k).

Group relationships

The Company which prepares the consolidated financial statements for the smallest and largest group of companies is GAGFAH S.A., 2-4, rue Beck, 1222 Luxembourg, Luxembourg. The consolidated financial statements are available from the Company's registered office in Luxembourg or at www.gagfah.com.

The Company is exempt from the obligation to prepare consolidated financial statements and a group management report in accordance with Sec. 291 (1) HGB.

E. Appropriation of net income

In accordance with the domination and profit and loss transfer agreement, WOBA's net income for the year of EUR 21,822,016.71 was transferred to WOBA HOLDING.

Dresden, 23 March 2012

The Management of WOBA DRESDEN GMBH

Brennan

Charlton

de Greiff

Kuss

Statement of changes in fixed assets of WOBA DRESDEN GMBH, Dresden

Exhibit 1 to the notes

	Gross values				Amortization, depreciation and write-downs					Net book values	
	Acquisition/ production cost 1 Jan 2011 EUR	Additions EUR	Disposals EUR	Acquisition/ production cost 31 Dec 2011 EUR	Accumulated amortization, depreciation and write-downs 1 Jan 2011 EUR	Additions EUR	Disposals EUR	Write-ups EUR	Accumulated amortization, depreciation and write-downs 31 Dec 2011 EUR	Net book value 31 Dec 2011 EUR	Net book value 31 Dec 2010 EUR
I. Intangible assets											
Purchased franchises, industrial rights and assets and licenses in such rights and assets	1,262,937.33	0.00	233,789.94	1,029,147.39	1,262,936.31	0.00	233,788.92	0.00	1,029,147.39	0.00	1.02
Total intangible assets	1,262,937.33	0.00	233,789.94	1,029,147.39	1,262,936.31	0.00	233,788.92	0.00	1,029,147.39	0.00	1.02
II. Property, plant and equipment											
1. Land and land rights with residential buildings	204,148.05	0.00	0.00	204,148.05	204,148.05	0.00	0.00	152,347.50	51,800.55	152,347.50	0.00
2. Buildings on third-party land	12,303,551.91	0.00	0.00	12,303,551.91	4,775,344.79	249,887.13	0.00	0.00	5,025,231.92	7,278,319.99	7,528,207.12
3. Other equipment, furniture and fixtures	2,153,163.14	23,252.03	370,719.47	1,805,695.70	1,766,165.39	117,151.18	369,096.84	0.00	1,514,219.73	291,475.97	386,997.75
Total property, plant and equipment	14,660,863.10	23,252.03	370,719.47	14,313,395.66	6,745,658.23	367,038.31	369,096.84	152,347.50	6,591,252.20	7,722,143.46	7,915,204.87
III. Financial assets											
1. Shares in affiliates	695,141,057.07	0.00	0.00	695,141,057.07	0.00	0.00	0.00	0.00	0.00	695,141,057.07	695,141,057.07
2. Equity investments	520.00	0.00	0.00	520.00	0.00	0.00	0.00	0.00	0.00	520.00	520.00
Total financial assets	695,141,577.07	0.00	0.00	695,141,577.07	0.00	0.00	0.00	0.00	0.00	695,141,577.07	695,141,577.07
Total fixed assets	711,065,377.50	23,252.03	604,509.41	710,484,120.12	8,008,594.54	367,038.31	602,885.76	152,347.50	7,620,399.59	702,863,720.53	703,056,782.96

Statement of liabilities of WOBA DRESDEN GMBH, Dresden

Exhibit 2 to the notes

The due dates of the liabilities and the securing liens and other rights break down as follows:

Liabilities	Total		Thereof						secured	Type of collateral
	31 Dec 2011 EUR	31 Dec 2010 EUR	due in							
			up to one year		one to five years		more than five years			
			31 Dec 2011 EUR	31 Dec 2010 EUR	31 Dec 2011 EUR	31 Dec 2010 EUR	31 Dec 2011 EUR	31 Dec 2010 EUR	EUR	
1. Liabilities to banks	50,873,194.92	(50,873,194.92)	281,061.22	(281,061.22)	50,592,133.70	(50,592,133.70)	0.00	(0.00)	50,873,194.92	Real estate liens
2. Prepayments received	1,810,288.08	(1,778,339.05)	1,810,288.08	(1,778,339.05)	0.00	(0.00)	0.00	(0.00)	0.00	
3. Rent liabilities	33,527.30	(41,406.84)	33,527.30	(41,406.84)	0.00	(0.00)	0.00	(0.00)	0.00	
4. Trade payables	84,343.70	(15,640.96)	84,343.70	(15,640.96)	0.00	(0.00)	0.00	(0.00)	0.00	
5. Liabilities to affiliates	344,308,319.45	(339,134,043.54)	333,847,160.93	(328,433,542.90)	1,322,085.40	(1,354,682.25)	9,139,073.12	(9,345,818.39)	0.00	
6. Liabilities to shareholders	21,886,712.56	(39,794,707.70)	21,886,712.56	(39,794,707.70)	0.00	(0.00)	0.00	(0.00)	0.00	
7. Other liabilities	59,704.39	(351,129.32)	59,704.39	(351,129.32)	0.00	(0.00)	0.00	(0.00)	0.00	
thereof for taxes	59,736.97	(315,515.07)	59,736.97	(315,515.07)	0.00	(0.00)	0.00	(0.00)	0.00	
thereof for social security	0.00	(2,100.00)	0.00	(2,100.00)	0.00	(0.00)	0.00	(0.00)	0.00	
Total liabilities	419,056,090.40	(431,988,462.33)	358,002,798.18	(370,695,827.99)	51,914,219.10	(51,946,815.95)	9,139,073.12	(9,345,818.39)	50,873,194.92	

APPENDIX 4
2012 AUDITED FINANCIAL STATEMENTS OF SÜDOST WOBA DRESDEN GMBH

SÜDOST WOBA DRESDEN GmbH
Dresden

Audited financial statements

31 December 2012

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Table of Contents

- A. Auditors' report
- B. Financial statements
- C. Notes to the financial statements

The following auditor's opinion (Bestätigungsvermerk) refers to the annual financial statements as well as to the management report prepared on the basis of German Commercial Code (HGB) („Handelsgesetzbuch“: “German Commercial Code”) of SÜDOST WOBA DRESDEN GMBH for the fiscal year ended December 31, 2012 as a whole and not solely to the annual financial statements presented in this Prospectus on the subsequent pages. The above mentioned auditor's opinion (Bestätigungsvermerk) and annual financial statements are both translations of the respective German language documents.

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of SÜDOST WOBA DRESDEN GMBH, Dresden, for the fiscal year from 1 January 2012 to 31 December 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch“: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 26 February 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(signed)

Völker
Wirtschaftsprüfer
[German Public Auditor]

(signed)

Paul
Wirtschaftsprüfer
[German Public Auditor]

SÜDOST WOBA DRESDEN GMBH, Dresden
Balance sheet as of 31 December 2012

ASSETS	31 Dec 2012	31 Dec 2011
	EUR	EUR
A. FIXED ASSETS		
I. Property, plant and equipment		
1. Land and land rights with residential buildings	596,863,679.24	610,114,369.38
2. Land and land rights with commercial and other buildings	5,494,687.42	5,745,025.03
3. Land and land rights without buildings	1,851,355.14	1,851,356.14
4. Land with hereditary building rights of third parties	9,152,678.21	9,152,678.21
5. Buildings on third-party land	762.35	1,524.71
6. Plant and machinery	84,079.67	89,504.17
7. Other equipment, furniture and fixtures	29,330.68	33,723.60
	<u>613,476,572.71</u>	<u>626,988,181.24</u>
II. Financial assets		
1. Shares in affiliates	370,174.71	370,174.71
2. Loans to affiliates	1,230,583.74	1,255,697.69
	<u>1,600,758.45</u>	<u>1,625,872.40</u>
	<u>615,077,331.16</u>	<u>628,614,053.64</u>
B. CURRENT ASSETS		
I. Land held for sale and other inventories		
Work in process	32,940,835.77	31,172,074.64
II. Receivables and other assets		
1. Rent receivables	989,376.56	1,144,408.12
2. Receivables from the sale of land	116,770.74	433,771.71
3. Receivables from other trade	84.10	0.00
4. Receivables from affiliates	172,146.05	147,891.47
5. Receivables from the shareholders	137,972,639.41	157,764,723.25
6. Other assets	1,460,250.28	5,553,478.52
	<u>140,711,267.14</u>	<u>165,044,273.07</u>
III. Cash on hand and bank balances		
	19,237,225.64	5,562,349.97
	<u>192,889,328.55</u>	<u>201,778,697.68</u>
Total assets	<u>807,966,659.71</u>	<u>830,392,751.32</u>
Trust assets	7,199,990.21	6,431,680.95

SÜDOST WOBA DRESDEN GMBH, Dresden
Balance sheet as of 31 December 2012

EQUITY AND LIABILITIES	31 Dec 2012	31 Dec 2011
	EUR	EUR
A. EQUITY		
I. Subscribed capital	51,129,188.12	51,129,188.12
II. Revenue reserves		
1. Other revenue reserves	19,572,319.97	19,572,319.97
2. Special reserve pursuant to Sec. 27 (2) DMBilG ["DM-Bilanzgesetz": German DM Balance Sheet Act]	141,725,031.24	141,725,031.24
	<u>161,297,351.21</u>	<u>161,297,351.21</u>
	<u>212,426,539.33</u>	<u>212,426,539.33</u>
B. SPECIAL ITEMS		
Special items for investment grants	20,404,699.79	21,020,002.69
C. PROVISIONS		
1. Tax provisions	52,055.65	32,517.80
2. Other provisions	5,651,725.33	13,131,598.32
	<u>5,703,780.98</u>	<u>13,164,116.12</u>
D. LIABILITIES		
1. Liabilities to other lenders	515,709,186.12	533,652,035.50
2. Prepayments received	38,267,693.37	36,191,317.15
3. Rent liabilities	1,176,178.78	1,158,869.88
4. Trade payables	1,074,204.26	1,483,756.49
5. Liabilities to affiliates	249,897.85	857,373.39
6. Liabilities to shareholders	12,954,479.23	10,368,577.51
7. Other liabilities	0.00	70,163.26
	<u>569,431,639.61</u>	<u>583,782,093.18</u>
Total equity and liabilities	<u>807,966,659.71</u>	<u>830,392,751.32</u>
Trust liabilities	7,199,990.21	6,431,680.95

SÜDOST WOBA DRESDEN GMBH, Dresden**Income statement for the period from 1 January to 31 December 2012**

	EUR	2012 EUR	2011 EUR
1. Revenue			
a) from real estate management	92,365,914.90		89,459,692.80
b) from the sale of land	175,000.00		11,000.00
		92,540,914.90	89,470,692.80
2. Increase in work in process		1,768,761.13	2,926,293.92
3. Other operating income		4,312,903.21	4,599,858.94
4. Cost of purchased merchandise and services			
a) Expenses for real estate management	46,789,504.91		47,687,295.70
b) Expenses for land held for sale	57,749.25		279,436.90
c) Cost of other merchandise and services	109.40		157.12
		46,847,363.56	47,966,889.72
5. Depreciation and write-downs of property, plant and equipment		14,125,995.67	14,743,862.84
6. Other operating expenses		3,695,689.38	4,127,794.39
7. Income from equity investments		55,939.76	22,604.17
thereof from affiliates: EUR 55,939.76 (prior year: EUR 22,604.17)			
8. Income from loans classified as fixed financial assets		62,784.88	64,066.21
thereof from affiliates: EUR 62,784.88 (prior year: EUR 64,066.21)			
9. Other interest and similar income		5,092,615.05	6,433,925.72
thereof from affiliates: EUR 4,981,929.55 (prior year: EUR 6,397,435.46)			
10. Interest and similar expenses		23,538,366.42	23,679,128.24
thereof to affiliates: EUR 229,588.22 (prior year: EUR 303,357.64)			
11. Result from ordinary activities		<u>15,626,503.90</u>	<u>12,999,766.57</u>
12. Income taxes		50,553.80	31,712.79
13. Other taxes		2,621,722.77	2,608,890.27
14. Result before compensation payment and profit transfer		<u>12,954,227.33</u>	<u>10,359,163.51</u>
15. Compensation paid to minority shareholders		271,537.29	170,337.30
16. Profit transfer		12,682,690.04	10,188,826.21
17. Net income for the year		<u><u>0.00</u></u>	<u><u>0.00</u></u>

Notes to the financial statements

for fiscal year 2012 of
SÜDOST WOBA DRESDEN GMBH, Dresden

A. General

The financial statements of SÜDOST WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "SÜDOST WOBA"), were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for large corporations.

The Company classifies its balance sheet and income statement in accordance with the regulations on prescribed forms for the classification of the annual financial statements of housing companies in the version dated 25 May 2009.

The fiscal year is the calendar year. Prior-year figures are in parentheses.

The shareholders of SÜDOST WOBA are WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "WOBA"), with a share of 94.90% and Opera CO-Acquisition GmbH & Co. KG, Dresden, with 5.10%.

On 30 October 2006, SÜDOST WOBA concluded a domination and profit and loss transfer agreement with WOBA. The agreement was concluded for an indefinite period and may be terminated by either contracting party giving six months' notice to the end of a fiscal year. The agreement was entered in the commercial register on 15 November 2006 and took retroactive effect as of 1 January 2006.

The equity investments of SÜDOST WOBA are listed in section C. Notes to the balance sheet and income statement.

B. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. Property, plant and equipment are depreciated over their estimated useful lives. Where necessary, write-downs are charged on fixed assets if their impairment is expected to be permanent in order to recognize them at the lower net realizable value on the balance sheet date.

Building costs for land with residential buildings are largely amortized using the straight-line method over a period of 40 or 50 years.

Plant and machinery as well as other equipment, furniture and fixtures are mainly depreciated over useful lives of 3 to 20 years.

Translation from the German language

Depreciation of additions to property, plant and equipment is charged pro rata temporis.

Low-value assets with an individual value not exceeding EUR 150.00 are recognized as an expense.

Low-value assets with an individual net value of between EUR 150.01 and EUR 410.00 are fully expensed in the year of acquisition with their immediate disposal being assumed.

For convenience, the collective item procedure applied for tax purposes to low-value assets with an individual net value of between EUR 150.01 and EUR 1,000.00 was also used in the statutory balance sheet in fiscal years 2008 and 2009. The collective item was depreciated by 20% in the year of acquisition and in each of the following four years.

With regard to financial assets, equity investments are recorded at the lower of cost or net realizable value, while loans are disclosed at nominal value. Write-downs to the lower net realizable value are made if impairment is expected to be permanent.

Work in process is valued at acquisition cost.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. General bad debt allowances account for any other general risks.

Special items include investment grants which are released over the term of the related asset on a pro rata basis.

Tax provisions and other provisions account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases).

In accordance with Sec. 253 (2) Sentence 1 HGB, provisions with a residual term of more than one year are discounted at the average market interest rate of the past seven fiscal years for their respective residual terms. The applicable discount rate is determined by Deutsche Bundesbank in accordance with the RückAbzinsV ["Rückstellungsabzinsungsverordnung": German Ordinance on the Discounting of Provisions] of 18 November 2009 and published monthly.

If the underlying commitment includes an interest portion or constitutes a pension obligation entered into for no consideration, a provision is recognized at the present value.

Liabilities are recorded at the settlement value.

To determine deferred taxes arising due to timing or temporary (quasi-permanent) differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the resulting tax burden and relief are valued using the company-specific tax rates at the time the differences reverse; these amounts are not discounted. Deferred tax assets and liabilities are offset. The option not to recognize deferred tax assets was exercised.

Translation from the German language

Foreign currency assets and liabilities were translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

C. Notes to the balance sheet and income statement

I. Balance sheet

The development of the individual fixed asset items, including amortization, depreciation and write-downs for the fiscal year, is shown in the statement of changes in fixed assets (exhibit 1 to the notes).

In the fiscal year, no impairment losses were charged (EUR 541k).

Moreover, write-ups of EUR 614k (EUR 420k) were recognized as the reasons for the impairment losses recognized in prior years no longer apply.

Financial assets include loans to affiliates of EUR 1,231k (EUR 1,256k) in connection with lease agreements on buildings and parts of buildings concluded on 15 and 21 December 2004. The properties are recorded in the balance sheet of WOBA (lessee), as the beneficial owner.

Shareholdings pursuant to Sec. 285 Sentence 1 No. 11 HGB

In fiscal year 2012, SÜDOST WOBA held 70% of the shares in Parkhaus Prohlis GmbH, Dresden (hereinafter also referred to as "PHP").

PHP's equity amounted to EUR 1,159k (EUR 1,159k) as of 31 December 2012. The result for 2012 was EUR 0k (EUR 0k).

Work in process includes uninvoiced operating and heating expenses of EUR 32,941k (EUR 31,172k).

Receivables from affiliates include:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Trade receivables	96	96
Other receivables	76	52
	<u>172</u>	<u>148</u>

Receivables from shareholders comprise:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Financial receivables	134,528	154,303
Trade receivables	3,445	3,462
	<u>137,973</u>	<u>157,765</u>

Translation from the German language

Receivables from shareholders decreased by EUR 19,792k to EUR 137,973k (EUR 157,765k) in the fiscal year. This decrease is mainly due to the decrease in the loan granted.

The amount of receivables and other assets due in more than one year breaks down as follows:

Receivables and other assets	Total	Thereof due in more than one year
	EUR k	EUR k
Other assets	1,460 (5,553)	133 (162)

The Company has cash and cash equivalents of EUR 19,237k (EUR 5,563k), of which EUR 2,716k (EUR 2,713k) is restricted and EUR 16,520k (EUR 2,850k) is freely available.

Restricted cash and cash equivalents include interest for global loans of EUR 1,907k (EUR 2,033k), which is not due until after the balance sheet date.

Another EUR 620k (EUR 492k) of cash and cash equivalents is restricted since it will have to be used either to acquire new properties or repay global loans.

An amount of EUR 189k (EUR 187k) of restricted cash and cash equivalents is deposited for guarantee facilities.

The development in special items is shown below:

Special items in EUR k	1 Jan 2012	Release	31 Dec 2012
Special item for investment grants	21,020	615	20,405

Other provisions break down as follows:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Provisions for future building costs	2,134	2,823
Provisions for repayment claims pursuant to the InVorG ["Investitionsvorranggesetz": German Investment Priority Act]	1,537	8,118
Provisions for retransfer claims pursuant to the VermG ["Vermögensgesetz": German Property Act]	609	236
Provisions for litigation risks	524	538
Provisions for refinancing	332	332
Provisions for investment grants	256	256
Provisions for retransfer claims relating to restituted properties	86	86
Provisions for audits	24	19
Provisions for warranty claims	0	214
Provisions for the requirement to disclose gains from the sale of restituted properties pursuant to the VZOG ["Vermögenszuordnungsgesetz": German Law on the Allocation of Property]	0	59
Other	150	451
	<u>5,652</u>	<u>13,132</u>

Translation from the German language

The liabilities including their residual terms are listed individually in the statement of liabilities (exhibit 2 to the notes).

Liabilities to other lenders relate to a loan agreement with Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK, transferred all of the respective loan receivable to other lenders. The Company's loan liability was recognized as a liability to other lenders in the balance sheet as not all of the other lenders are known to the Company.

Liabilities to affiliates include:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Other liabilities	41	46
Trade payables	209	811
	<u>250</u>	<u>857</u>

Liabilities to shareholders of EUR 12,954k (EUR 10,369k) relate mainly to financial liabilities. Since this fiscal year, liabilities from profit transfer are not disclosed under liabilities to affiliates but under liabilities to shareholders.

Contingent liabilities

Together with WOBA, WOHNBAU NORDWEST GmbH, Dresden (hereinafter also referred to as "WOHNBAU NORDWEST"), Liegenschaften Weißig GmbH, Dresden (hereinafter also referred to as "LGW") and WOBA HOLDING GMBH, Dresden (hereinafter also referred to as "WOBA HOLDING"), SÜDOST WOBA has assumed joint liability for a loan liability due to the other lenders. The loan originally amounted to EUR 1,201,000k but was reduced to EUR 1,042,988k as of the balance sheet date.

These contingent liabilities are not expected to result in any claims against the Company as the loan is being repaid as scheduled by the companies involved.

There are contingent liabilities from warranty agreements due to the subsidiary PHP. By declaration dated 24 June 1998, SÜDOST WOBA agreed to take financial measures to safeguard the Company's operations.

Due to the current economic situation of PHP, these contingent liabilities are not expected to result in any claims.

Other financial obligations

Several actions of the city of Dresden, capital of the Free State of Saxony, against WOBA HOLDING and other WOBA companies were settled in March 2012 via settlement agreements. These settlement agreements provide for several amendments to the social protection provisions of the privatization agreement between the WOBA companies and the city of Dresden.

Translation from the German language

In addition, the city of Dresden is to receive nine annual payments for the period between 2012 and 2020 in the amount of EUR 4,000k per year (a total of EUR 36,000k), 40% of which will be invested in social projects that are to primarily benefit WOBA's tenants in Dresden. The WOBA companies have also borne the litigation costs of the city of Dresden up to an amount of EUR 4,000k. All litigation costs borne thereafter were recently paid to the city of Dresden by the WOBA companies.

Additional other financial obligations resulted from the loan agreement with other lenders. These included average minimum expenditures for ongoing repair and maintenance work, modernization work and recurring capital expenditures of EUR 5.95/m² p.a. over a period of three consecutive years applied to the original portfolio acquired by the city of Dresden or an amount in line with industry standards taking account of the age and construction type of the units contained in the portfolio.

Under the privatization agreement for the WOBA subgroup, the Company is obliged to the city of Dresden to comply with minimum maintenance requirements. These include certain average minimum expenditures for ongoing repair and maintenance work, modernization work and recurring annual capital expenditures over a period of three consecutive years applied to the original portfolio acquired by the city of Dresden or an amount in line with industry standards taking account of the age and construction type of the units contained in the portfolio. This obligation is valid until April 2016.

The loan agreement with Deutsche Bank AG, London, UK, and Lehman Brothers Europe Limited i. L., London, UK, which transferred all of the respective loan receivable to other lenders meanwhile, required the Company to comply with social protection provisions under the privatization agreement and therefore with the aforementioned maintenance obligations.

This loan agreement was replaced by a new loan agreement with an international lender on 20 February 2013. This includes minimum expenditures for ongoing maintenance of EUR 10.50/m² applied to the average portfolio in that year. It is possible to carry forward excess amounts to the following year or to recover shortfalls in the subsequent year.

Due to the settlement agreement with the city of Dresden concluded in March 2012, the Company is required to comply with another minimum maintenance requirement. This condition requires the Company to ensure that a certain average minimum annual amount for maintenance work per square meter of residential space is invested over a period of three consecutive years from fiscal year 2012 onwards. This provision applies until April 2021.

GAGFAH M Immobilien-Management GmbH, Essen, and WOBA as the contracting parties have concluded master agreements on maintenance services with B&O Service- und Messtechnik AG, Bad Aibling, as the contractor.

The conclusion of these master agreements has enabled the individual property-owning companies of the GAGFAH Group to further improve the efficiency of maintenance with regard to cost and quality.

Translation from the German language

Under this agreement, the contracting parties guarantee in particular that the individual asset companies of the GAGFAH Group will commission the contractor with maintenance of EUR 24,000k each in the subsequent two years. Moreover, the contractor operates a call center for the GAGFAH Group in order to guarantee timely and efficient processing of maintenance orders. In addition, the GAGFAH Group agrees to compensate the contractor for fixed costs besides commissioning it with maintenance work. Based on the share of properties owned by SÜDOST WOBA as of the balance sheet date, the Company expects to commission maintenance services totaling EUR 6,466k in the next two years under this master agreement.

Other financial obligations also relate to obligations from the real estate lease agreement between SÜDOST WOBA and Immobilien- Vermietungsgesellschaft Knappertsbusch & Co. SÜDOST WOBA Striesen (now 12. CR Immobilien-Vermietungsgesellschaft mbH & Co. SÜDOST WOBA Striesen KG). These obligations pertain to lease payments through 2029. The lease payments for 2012 amounted to EUR 3,936k. For the period from September 2019 to 2029, the annual lease payments are linked to the interest rate trend. It is not possible at present to provide any figures.

Under this agreement, SÜDOST WOBA encumbered the relevant land belonging to the Company with real property liens of EUR 49,084k plus annual interest of 16.00% and a one-off additional payment of 6.00%, all of which are junior to the hereditary building rights. In addition, the lessor has a put option, according to which it may offer the leased property for sale to the Company as of 30 August 2029 and the Company would be obliged to accept the offer. The purchase price corresponds to the agreed contractual residual value as of the date of purchase, but must not exceed the residual book value for tax purposes of the hereditary building right plus buildings and facilities, net of straight-line depreciation.

By agreement dated 21 December 2004, WOBA and SÜDOST WOBA arranged for internal purposes to act as if the rights and obligations under the lease concluded between SÜDOST WOBA and Immobilien-Vermietungsgesellschaft Knappertsbusch & Co. SÜDOST WOBA Striesen KG had been transferred to WOBA as of 1 January 2005 in discharge of the previous debtor.

Related party transactions

The Company granted loans to affiliates and the shareholder in the fiscal year. These loans are not secured. The loan receivables came to EUR 134,184k (EUR 153,723k) as of the balance sheet date and are payable on demand. The associated interest income amounts to EUR 4,982k (EUR 6,397k).

II. Income statement

For a breakdown of revenue, please refer to the income statement.

The income statement includes the following **out-of-period** income:

	2012 EUR k	2011 EUR k
Income from the reversal of provisions	604	940
Income from the write-off of liabilities	468	73
Income from the receipt of written-off receivables	50	54
Income from expense adjustments for real estate management	46	66
	<u>1,168</u>	<u>1,133</u>

Expenses for land held for sale of EUR 58k (EUR 279k) mainly include selling expenses of EUR 58k (EUR 277k).

The income statement includes the following **out-of-period** expenses:

	2012 EUR k	2011 EUR k
Income adjustment for prior years	57	80
Write-downs of receivables/other assets	35	6
	<u>92</u>	<u>86</u>

Other taxes of EUR 2,622k (EUR 2,609k) mainly include real estate taxes. Real estate taxes that are to be charged on to tenants amount to EUR 2,403k (EUR 2,438k), non-allocable real estate taxes amount to EUR 117k (EUR 64k) and real estate taxes for undeveloped land amount to EUR 102k (EUR 107k).

D. Restatement of prior-year figures

In order to improve the clarity of presentation of the net assets in accordance with Sec. 264 (2) Sentence 1 HGB and to improve the comparability, the prior-year figures of liabilities to banks and liabilities to other lenders were restated so that the former liability to Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK, which was fully transferred to other lenders by Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK, is now recognized under liabilities to other lenders as the other lenders are known to the Company.

In order to improve the clarity of presentation of the financial position in accordance with Sec. 264 (2) Sentence 1 HGB and to improve comparability, the prior-year figures for liabilities to affiliates and liabilities to shareholders were restated such that liabilities from profit transfer are now disclosed under liabilities to shareholders.

E. Other notes

Corporate bodies

Members of management

Mr. William Joseph Brennan (until 31 March 2012)

Chief Executive Officer and Chairman of the management board of the GAGFAH Group

Mr. Stephen Charlton

Chief Executive Officer and

Chairman of the management board of the GAGFAH Group (since 1 April 2012)

Chief Financial Officer of the GAGFAH Group (until 31 March 2012)

Mr. Stefan de Greiff (until 19 June 2012)

Chief Investment and Sales Officer of the GAGFAH Group

Mr. Nicolai Kuss

Chief Operating Officer of the GAGFAH Group

Mr. Gerald Klinck (since 5 November 2012)

Chief Financial Officer of the GAGFAH Group

Total remuneration of the members of management

The members of management did not receive any remuneration from the Company in fiscal year 2012.

Audit and consulting fees

The fees incurred for the auditor amounted to EUR 39k (EUR 38k) in fiscal year 2012.

This amount was incurred in full for the audit of the annual financial statements.

Group relationships

The company which prepares the consolidated financial statements for the smallest and largest group of companies is GAGFAH S.A., 2-4, rue Beck, 1222 Luxembourg, Luxembourg. The consolidated financial statements are available from the Company's registered office in Luxembourg or at www.gagfah.com.

The Company is exempt from the obligation to prepare consolidated financial statements and a group management report in accordance with Sec. 291 (1) HGB.

F. Appropriation of net income

In accordance with the domination and profit and loss transfer agreement, SÜDOST WOBA's net income for the year of EUR 12,682,690.04 was transferred to WOBA.

Dresden, 25 February 2013

The Management of SÜDOST WOBA DRESDEN GMBH

Charlton

Klinck

Kuß

Statement of changes in fixed assets of SÜDOST WOBA DRESDEN GMBH, Dresden

Exhibit 1 to the notes

	Gross values			Amortization, depreciation and write-downs					Net book values	
	Acquisition/ production cost 1 Jan 2012 EUR	Disposals EUR	Acquisition/ production cost 31 Dec 2012 EUR	Accumulated amortization, depreciation and write-downs 1 Jan 2012 EUR	Additions EUR	Disposals EUR	Write-ups EUR	Accumulated amortization, depreciation and write-downs 31 Dec 2012 EUR	Net book value	Net book value
									31 Dec 2012 EUR	31 Dec 2011 EUR
I. Property, plant and equipment										
1. Land and land rights with residential buildings	919,459,602.57	7,674,125.53	911,785,477.04	309,345,233.19	13,865,079.28	7,674,125.53	614,389.14	314,921,797.80	596,863,679.24	610,114,369.38
2. Land and land rights with commercial and other buildings	22,997,723.42	1.00	22,997,722.42	17,252,698.39	250,336.61	0.00	0.00	17,503,035.00	5,494,687.42	5,745,025.03
3. Land and land rights without buildings	3,387,876.77	1.00	3,387,875.77	1,536,520.63	0.00	0.00	0.00	1,536,520.63	1,851,355.14	1,851,356.14
4. Land with hereditary building rights of third parties	18,515,504.77	0.00	18,515,504.77	9,362,826.56	0.00	0.00	0.00	9,362,826.56	9,152,678.21	9,152,678.21
5. Buildings on third-party land	53,364.61	0.00	53,364.61	51,839.90	762.36	0.00	0.00	52,602.26	762.35	1,524.71
6. Plant and machinery	108,489.89	0.00	108,489.89	18,985.72	5,424.50	0.00	0.00	24,410.22	84,079.67	89,504.17
7. Other equipment, furniture and fixtures	124,890.07	759.22	124,130.85	91,166.47	4,392.92	759.22	0.00	94,800.17	29,330.68	33,723.60
Total property, plant and equipment	964,647,452.10	7,674,886.75	956,972,565.35	337,659,270.86	14,125,995.67	7,674,884.75	614,389.14	343,495,992.64	613,476,572.71	626,988,181.24
II. Financial assets										
1. Shares in affiliates	1,883,566.78	0.00	1,883,566.78	1,513,392.07	0.00	0.00	0.00	1,513,392.07	370,174.71	370,174.71
2. Loans to affiliates	1,255,697.69	25,113.95	1,230,583.74	0.00	0.00	0.00	0.00	0.00	1,230,583.74	1,255,697.69
Total financial assets	3,139,264.47	25,113.95	3,114,150.52	1,513,392.07	0.00	0.00	0.00	1,513,392.07	1,600,758.45	1,625,872.40
Total fixed assets	967,786,716.57	7,700,000.70	960,086,715.87	339,172,662.93	14,125,995.67	7,674,884.75	614,389.14	345,009,384.71	615,077,331.16	628,614,053.64

Statement of liabilities of SÜDOST WOBA DRESDEN GMBH, Dresden

Exhibit 2 to the notes

The due dates of the liabilities and the securing liens
and other rights break down as follows:

Liabilities	Total 31 Dec 2012 EUR	31 Dec 2011 EUR	Thereof				secured EUR	Type of collateral
			Due in		31 Dec 2012 EUR	31 Dec 2011 EUR		
			up to one year 31 Dec 2012 EUR	31 Dec 2011 EUR				
1. Liabilities to other lenders	515,709,186.12	(533,652,035.50)	515,709,186.12	(2,934,983.23)	0.00	(530,717,052.27)	515,709,186.12	Real estate liens
2. Prepayments received	38,267,693.37	(36,191,317.15)	38,267,693.37	(36,191,317.15)	0.00	(0.00)	0.00	
3. Rent liabilities	1,176,178.78	(1,158,869.88)	1,176,178.78	(1,158,869.88)	0.00	(0.00)	0.00	
4. Trade payables	1,074,204.26	(1,483,756.49)	1,074,204.26	(1,483,756.49)	0.00	(0.00)	0.00	
5. Liabilities to affiliates	249,897.85	(857,373.39)	249,897.85	(857,373.39)	0.00	(0.00)	0.00	
6. Liabilities to shareholders	12,954,479.23	(10,368,577.51)	12,954,479.23	(10,368,577.51)	0.00	(0.00)	0.00	
7. Other liabilities	0.00	(70,163.26)	0.00	(70,163.26)	0.00	(0.00)	0.00	
Total liabilities	569,431,639.61	(583,782,093.18)	569,431,639.61	(53,065,040.91)	0.00	(530,717,052.27)	515,709,186.12	

APPENDIX 5
2011 AUDITED FINANCIAL STATEMENTS OF SÜDOST WOBA DRESDEN GMBH

SÜDOST WOBA DRESDEN GmbH
Dresden

Audited financial statements

31 December 2011

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Table of Contents

- A. Auditors' report
- B. Financial statements
- C. Notes to the financial statements

The following auditor's opinion (Bestätigungsvermerk) refers to the annual financial statements as well as to the management report prepared on the basis of German Commercial Code (HGB) („Handelsgesetzbuch“: “German Commercial Code”) of SÜDOST WOBA DRESDEN GMBH for the fiscal year ended December 31, 2011 as a whole and not solely to the annual financial statements presented in this Prospectus on the subsequent pages. The above mentioned auditor's opinion (Bestätigungsvermerk) and annual financial statements are both translations of the respective German language documents

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of SÜDOST WOBA DRESDEN GMBH, Dresden, for the fiscal year from 1 January 2011 to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch“: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 23 March 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(signed)

Völker
Wirtschaftsprüfer
[German Public Auditor]

(signed)

Helms
Wirtschaftsprüfer
[German Public Auditor]

Translation from the German language

SÜDOST WOBA DRESDEN GMBH, Dresden
Balance sheet as of 31 December 2011

ASSETS	31 Dec 2011		31 Dec 2010
	EUR	EUR	EUR
A. FIXED ASSETS			
I. Property, plant and equipment			
1. Land and land rights with residential buildings	610,114,369.38		624,548,431.07
2. Land and land rights with commercial and other buildings	5,745,025.03		6,044,246.44
3. Land and land rights without buildings	1,851,356.14		1,434,250.18
4. Land with hereditary building rights of third parties	9,152,678.21		9,152,675.21
5. Buildings on third-party land	1,524.71		2,287.06
6. Plant and machinery	89,504.17		94,928.66
7. Other equipment, furniture and fixtures	33,723.60		38,116.50
		626,988,181.24	641,314,935.12
II. Financial assets			
1. Shares in affiliates	370,174.71		370,174.71
2. Loans to affiliates	1,255,697.69		1,281,324.17
		<u>1,625,872.40</u>	<u>1,651,498.88</u>
		<u>628,614,053.64</u>	<u>642,966,434.00</u>
B. CURRENT ASSETS			
I. Land held for sale and other inventories			
Work in process		31,172,074.64	28,245,780.72
II. Receivables and other assets			
1. Rent receivables	1,144,408.12		1,280,596.41
2. Receivables from the sale of land	433,771.71		433,771.71
3. Receivables from other trade	0.00		4,367.07
4. Receivables from affiliates	147,891.47		523,603.46
5. Receivables from shareholders	157,764,723.25		153,718,830.91
6. Other assets	5,553,478.52		1,276,656.57
		<u>165,044,273.07</u>	<u>157,237,826.13</u>
III. Cash on hand and bank balances			
		5,562,349.97	5,393,644.53
		<u>201,778,697.68</u>	<u>190,877,251.38</u>
Total assets		<u>830,392,751.32</u>	<u>833,843,685.38</u>
Trust assets		6,431,680.95	5,780,070.26

SÜDOST WOBA DRESDEN GMBH, Dresden
Balance sheet as of 31 December 2011

EQUITY AND LIABILITIES	31 Dec 2011		31 Dec 2010
	EUR	EUR	EUR
A. EQUITY			
I. Subscribed capital			
		51,129,188.12	51,129,188.12
II. Revenue reserves			
1. Other revenue reserves	19,572,319.97		19,572,319.97
2. Special reserve pursuant to Sec. 27 (2) DMBilG	141,725,031.24		141,725,031.24
		<u>161,297,351.21</u>	<u>161,297,351.21</u>
		<u>212,426,539.33</u>	<u>212,426,539.33</u>
B. SPECIAL ITEMS			
Special item for investment grants		21,020,002.69	21,635,306.30
C. PROVISIONS			
1. Tax provisions	32,517.80		32,518.30
2. Other provisions	13,131,598.32		13,780,004.72
		<u>13,164,116.12</u>	<u>13,812,523.02</u>
D. LIABILITIES			
1. Liabilities to banks	533,652,035.50		533,762,487.21
2. Prepayments received	36,191,317.15		33,409,073.46
3. Rent liabilities	1,158,869.88		1,095,791.39
4. Trade payables	1,483,756.49		1,650,839.44
5. Liabilities to affiliates	11,046,199.60		16,009,028.50
6. Liabilities to shareholders	179,751.30		1,844.59
7. Other liabilities	70,163.26		40,252.14
		<u>583,782,093.18</u>	<u>585,969,316.73</u>
Total equity and liabilities		<u>830,392,751.32</u>	<u>833,843,685.38</u>
Trust liabilities		6,431,680.95	5,780,070.26

Translation from the German language

SÜDOST WOBA DRESDEN GMBH, Dresden
Income statement for the period from 1 January to 31 December 2011

	EUR	2011 EUR	2010 EUR
1. Revenue			
a) from real estate management	89,459,692.80		90,570,405.57
b) from the sale of land	11,000.00		13,109,321.20
c) from other trade	0.00		350.00
	89,470,692.80		103,680,076.77
2. Increase/decrease in work in process		2,926,293.92	-1,374,753.86
3. Other operating income		4,599,858.94	10,075,548.40
4. Cost of purchased merchandise and services			
a) Expenses for real estate management	47,687,295.70		46,504,044.12
b) Expenses for land held for sale	279,436.90		10,416,970.08
c) Cost of other merchandise and services	157.12		91.10
	47,966,889.72		56,921,105.30
5. Amortization, depreciation and write-downs of property, plant and equipment		14,743,862.84	16,100,068.97
6. Other operating expenses		4,127,794.39	3,347,418.34
7. Income from equity investments		22,604.17	20,882.97
thereof from affiliates: EUR 22,604.17 (prior year: EUR 20,882.97)			
8. Income from loans classified as fixed financial assets		64,066.21	65,373.68
thereof from affiliates: EUR 64,066.21 (prior year: EUR 65,373.68)			
9. Other interest and similar income		6,433,925.72	5,107,462.52
thereof from affiliates: EUR 6,397,435.46 (prior year: EUR 5,038,864.42)			
10. Interest and similar expenses		23,679,128.24	24,015,875.97
thereof to affiliates: EUR 303,357.64 (prior year: EUR 183,489.99)			
11. Result from ordinary activities		12,999,766.57	17,190,121.90
12. Income taxes		31,712.79	62,727.99
13. Other taxes		2,608,890.27	2,858,992.32
14. Result before compensation payment and profit transfer		10,359,163.51	14,268,401.59
15. Compensation paid to minority shareholders		170,337.30	336,937.30
16. Profit transfer		10,188,826.21	13,931,464.29
17. Net income for the year		0.00	0.00

Notes to the financial statements

for fiscal year 2011 of
SÜDOST WOBA DRESDEN GMBH, Dresden

A. General

The financial statements of SÜDOST WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "SÜDOST WOBA"), were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for large corporations.

The Company classifies its balance sheet and income statement in accordance with the regulations on prescribed forms for the classification of the annual financial statements of housing companies in the version dated 25 May 2009.

The fiscal year is the calendar year. Prior-year figures are in parentheses.

The shareholders of SÜDOST WOBA are WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "WOBA"), with a share of 94.90% and Opera Co-Acquisition GmbH & Co. KG, Dresden, with 5.10%.

On 30 October 2006, SÜDOST WOBA concluded a domination and profit and loss transfer agreement with WOBA. The agreement was entered in the commercial register on 15 November 2006 and took retroactive effect as of 1 January 2006.

The equity investments of SÜDOST WOBA are listed in section D. Other notes.

B. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. Property, plant and equipment are depreciated over their estimated useful lives. Where necessary, write-downs are charged on fixed assets if their impairment is expected to be permanent in order to recognize them at the lower net realizable value on the balance sheet date.

Building costs for land with residential buildings are largely amortized using the straight-line method over a period of 40 or 50 years.

Buildings intended to be demolished and demolition of which has been agreed by the GAGFAH Group in the context of the acquisition of the WOBA subgroup were written down to a book value of EUR 0.00. In fiscal year 2011, the demolition plan was revised taking into account the demolition agreed to in the context of the sale.

Plant and machinery as well as other equipment, furniture and fixtures are mainly depreciated over useful lives of 3 to 20 years.

Depreciation of additions to property, plant and equipment is charged pro rata temporis.

Low-value assets with an individual value not exceeding EUR 150.00 are recognized in operating expenses.

Low-value assets with a net value of between EUR 150.01 and EUR 410.00 are fully expensed in the year of acquisition with their immediate disposal being assumed.

In fiscal years 2008 and 2009, low-value assets with a net value of between EUR 150.01 and EUR 1,000.00 were recognized in a collective item and depreciated over five years.

With regard to financial assets, equity investments are recorded at the lower of cost or net realizable value, while loans are disclosed at nominal value. Write-downs to the lower net realizable value are made if permanent impairment is assumed.

Work in process is valued at acquisition cost.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. The general credit risk is provided for by a general bad debt allowance.

Special items include investment grants which are released over the term of the related asset on a pro rata basis.

Tax provisions and other provisions account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases).

In accordance with Sec. 253 (2) Sentence 1 HGB, provisions with a residual term of more than one year are discounted at the average market interest rate of the past seven fiscal years for their respective residual terms. The applicable discount rate is determined by Deutsche Bundesbank pursuant to an executive ordinance and published monthly.

If the underlying commitment includes an interest portion or constitutes a pension obligation entered into for no consideration, a provision is recognized at the present value.

Liabilities are recorded at the settlement value.

To determine deferred taxes arising due to timing or temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the resulting tax burden and relief are valued using the company-specific tax rates at the time the differences reverse; these amounts are not discounted. Deferred tax assets and liabilities are offset. The option not to recognize deferred tax assets was exercised.

C. Notes to the balance sheet and income statement

I. Balance sheet

The development of the individual fixed asset items, including amortization, depreciation and write-downs for the fiscal year, is shown in the statement of changes in fixed assets (exhibit 1 to the notes).

In the reporting year, impairment losses of EUR 541k (EUR 1,786k) were recognized due to expected permanent impairment.

Moreover, write-ups of EUR 420k (EUR 414k) were recognized as the reasons for the impairment losses recognized in prior years no longer apply.

Financial assets include loans to affiliates of EUR 1,256k (EUR 1,281k) relating to a loan to WOBA in connection with lease agreements on buildings and parts of buildings concluded on 15 and 21 December 2004. The properties are recorded in the balance sheet of WOBA (lessee), as the beneficial owner.

Work in process includes uninvoiced operating and heating expenses of EUR 31,172k (EUR 28,246k).

Receivables from shareholders increased by EUR 4,046k to EUR 157,765k (EUR 153,719k) in the fiscal year. This increase is mainly due to the increase in the loan granted.

The amount of receivables and other assets due in more than one year breaks down as follows:

Receivables and other assets	Total	thereof due in more than one year
	EUR k	EUR k
Other assets	5,553 (1,277)	162 (191)

The Company has cash and cash equivalents of EUR 5,563k (EUR 5,394k), of which EUR 2,713k (EUR 3,443k) is restricted and EUR 2,850k (EUR 1,949k) is freely available.

Restricted cash and cash equivalents include interest for loans of EUR 2,033k (EUR 2,037k), which is not due until after the balance sheet date. Another EUR 492k (EUR 1,311k) of cash and cash equivalents is restricted since it will have to be used either to acquire new properties or repay global loans. The remaining amount of EUR 187k (EUR 94k) of restricted cash and cash equivalents is deposited for guarantee facilities.

The development in special items is shown below:

Special items in EUR k	1 Jan 2011	Release	31 Dec 2011
Special item for investment grants	21,635	615	21,020

Other provisions break down as follows:

	31 Dec 2011 EUR k	31 Dec 2010 EUR k
Provisions for repayment claims pursuant to the InvorG ["Investitionsvorranggesetz": German Investment Priority Act]	8,118	8,774
Provisions for future building costs	2,823	2,417
Provisions for litigation risks	538	1,168
Provisions for refinancing	332	372
Provisions for investment grants	256	375
Provisions for retransfer claims pursuant to the VermG ["Vermögensgesetz": German Property Act]	236	231
Provisions for warranty claims	214	222
Provisions for retransfer claims relating to restituted properties	86	86
Provisions for the requirement to disclose gains from the sale of restituted properties pursuant to the VZOG ["Vermögenszuordnungsgesetz": German Law on the Allocation of Property]	59	59
Provisions for audits	19	25
Miscellaneous	451	51
	<u>13,132</u>	<u>13,780</u>

The liabilities including their residual terms are listed individually in the statement of liabilities (exhibit 2 to the notes). Liabilities to banks relate to loan agreements with Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. Lehman Brothers Europe Limited i. L. and Deutsche Bank AG syndicated all or part of the respective loan receivable to other lenders. As not all of the other lenders are known to the Company, the balance sheet item remains unchanged.

Contingent liabilities

Together with WOBA, WOHNBAU NORDWEST GmbH, Dresden (hereinafter also referred to as "WOHNBAU NORDWEST"), Liegenschaften Weißig GmbH, Dresden (hereinafter also referred to as "LGW"), and WOBA HOLDING GmbH, Dresden (hereinafter also referred to as "WOBA HOLDING"), SÜDOST WOBA has assumed joint liability for a loan liability due to Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. The loan originally amounted to EUR 1,201,000k but was reduced to EUR 1,081,430k as of the balance sheet date.

These contingent liabilities are not expected to result in any claims against the Company as the loan is being repaid as scheduled by the companies involved.

There are contingent liabilities from warranty agreements due to the subsidiary Parkhaus Prohlis GmbH, Dresden (hereinafter also referred to as "PHP"). By agreement of 24 June 1998, SÜDOST WOBA agreed to take financial measures to safeguard the Company's operations.

Due to the current economic situation of PHP, these contingent liabilities are not expected to result in any claims.

Off-balance sheet transactions pursuant to Sec. 285 No. 3 HGB and other financial obligations pursuant to Sec. 285 No. 3a HGB

GAGFAH M Immobilien-Management GmbH, Essen (hereinafter also referred to as "GAGFAH M"), has concluded a master agreement on maintenance services jointly with WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "WOBA"), as the contracting parties, with B&O Service- und Messtechnik AG, Bad Aibling, as the contractor.

The conclusion of this master agreement has enabled the individual property-owning companies of the GAGFAH Group to further improve the efficiency of maintenance with regard to cost and quality.

Under this agreement, the contracting parties guarantee in particular that the individual asset companies of the GAGFAH Group will commission the contractor with maintenance of EUR 24,000k in the coming year and maintenance totaling EUR 36,000k in the subsequent two years. Moreover, the contractor operates a call center for the GAGFAH Group in order to guarantee timely and efficient processing of maintenance orders. In addition, the GAGFAH Group agrees to compensate the contractor for fixed costs besides commissioning it with maintenance work. Based on the share of properties owned by SÜDOST WOBA as of the balance sheet date, the Company expects to commission maintenance services totaling EUR 4,342k in the next two years under this master agreement.

Other financial obligations also relate to obligations from the real estate lease agreement between SÜDOST WOBA and Immobilien-Vermietungsgesellschaft Knappertsbusch & Co. & SÜDOST WOBA Striesen KG, Leipzig. These obligations pertain to lease payments until the year 2029. The lease payments for 2011 amounted to EUR 3,931k. For the period from 2012 to 2029, the annual lease payments are linked to the interest rate trend; it is currently not possible to give any figures.

Under this agreement, SÜDOST WOBA agreed with respect to the beneficiary of the hereditary building right to encumber the land with real property liens of up to EUR 49,084k plus annual interest of up to 16.00% and a one-off additional payment of 6.00%, all of which are junior to the hereditary building rights. In addition, the lessor has a put option, according to which it may offer the leased property for sale to the Company as of 30 August 2029 and the Company would be obliged to accept the offer. The purchase price corresponds to the agreed contractual residual value as of the date of purchase, but must not exceed the residual book value for tax purposes of the hereditary building right plus buildings and facilities, net of straight-line depreciation.

By agreement dated 21 December 2004, SÜDOST WOBA and WOBA arranged for internal purposes to act as if the rights and obligations under the lease concluded between SÜDOST WOBA and Striesen KG had been transferred to WOBA as of 1 January 2005 in discharge of the previous debtor.

Trust assets and trust liabilities

Rent deposits are kept in trust accounts held at Aareal Bank AG. Bank balances for these rent deposits amount to EUR 6,432k (EUR 5,780k).

II. Income statement

For a breakdown of revenue, please refer to the income statement.

The income statement includes the following **out-of-period** income:

	2011 EUR k	2010 EUR k
Income from the reversal of provisions	940	672
Income from the write-off of liabilities	73	119
Income from prior years from real estate management	66	32
Income from recoveries on written-off receivables in prior years	54	72
Other	0	5
	<u>1,133</u>	<u>900</u>

Expenses for land held for sale of EUR 279k (EUR 10,417k) mainly include selling expenses of EUR 277k (EUR 251k) as well as disposals of land held for sale at book value of EUR 3k (EUR 10,132k).

The income statement includes the following **out-of-period** expenses:

	2011 EUR k	2010 EUR k
Income adjustment for prior years	80	9
Write-downs of receivables/other assets	6	106
Audit fees for the prior year	0	21
Write-downs of receivables from the sale of land	0	4
	<u>86</u>	<u>140</u>

Other taxes of EUR 2,609k (EUR 2,859k) mainly include real estate taxes. Real estate taxes that are to be charged on to tenants amount to EUR 2,438k (EUR 2,724k), non-allocable real estate taxes amount to EUR 64k (EUR 38k) and real estate taxes for undeveloped land amount to EUR 107k (EUR 92k).

D. Other notes

List of shareholdings

In fiscal year 2011, SÜDOST WOBA held 70.00% of the shares in PHP.

PHP's equity amounted to EUR 1,159k (EUR 1,159k) as of 31 December 2011. The result for 2011 was EUR 0k (EUR 0k).

Corporate bodies

Members of management

Mr. William Joseph Brennan

Chief Executive Officer and Chairman of the management board of the GAGFAH Group

Mr. Stefan de Greiff

Chief Investment and Sales Officer of the GAGFAH Group

Mr. Nicolai Kuss

Chief Operating Officer of the GAGFAH Group

Mr. Stephen Charlton (since 21 January 2011)

Chief Financial Officer of the GAGFAH Group

Disclosures pursuant to Sec. 285 Sentence 1 Nos. 9 a) and b) HGB

The members of management did not receive any remuneration from the Company in fiscal year 2011.

Disclosures pursuant to Sec. 285 No. 17 HGB/auditor's fees

The fees incurred for the auditor amounted to EUR 38k (EUR 62k) in fiscal year 2011.

This amount was incurred in full for the audit of the annual financial statements.

Disclosures pursuant to Sec. 285 (21) HGB/related party transactions

The Company granted loans to affiliates in the fiscal year. These loans are not secured. The loan receivables came to EUR 153,723k (EUR 145,819k) as of the balance sheet date and are payable on demand. The associated interest income amounts to EUR 6,397k (EUR 5,039k).

Group relationships

The Company which prepares the consolidated financial statements for the smallest and largest group of companies is GAGFAH S.A., 2-4, rue Beck, 1222 Luxembourg, Luxembourg. The consolidated financial statements are available from the Company's registered office in Luxembourg or at www.gagfah.com.

The Company is exempt from the obligation to prepare consolidated financial statements and a group management report in accordance with Sec. 291 (1) HGB.

E. Appropriation of net income

In accordance with the domination and profit and loss transfer agreement, SÜDOST WOBA's net income for the year of EUR 10,188,826.21 was transferred to WOBA.

Dresden, 20 March 2012

The Management of SÜDOST WOBA DRESDEN GMBH

Brennan

Charlton

de Greiff

Kuss

Translation from the German language

Statement of changes in fixed assets of SÜDOST WOBA DRESDEN GMBH, Dresden

Exhibit 1 to the notes

	Gross values			Amortization, depreciation and write-downs					Net book values	
	Acquisition/ production cost 1 Jan 2011 EUR	Disposals EUR	Acquisition/ production cost 31 Dec 2011 EUR	Accumulated amortization, depreciation and write-downs 1 Jan 2011 EUR	Additions EUR	Disposals EUR	Write-ups EUR	Accumulated amortization, depreciation and write-downs 31 Dec 2011 EUR	Net book value 31 Dec 2011 EUR	Net book value 31 Dec 2010 EUR
	I. Property, plant and equipment									
1. Land and land rights with residential buildings	934,325,108.20	14,865,505.63	919,459,602.57	309,776,677.13	14,434,061.69	14,865,505.63	0.00	309,345,233.19	610,114,369.38	624,548,431.07
2. Land and land rights with commercial and other buildings	22,997,723.42	0.00	22,997,723.42	16,953,476.98	299,221.41	0.00	0.00	17,252,698.39	5,745,025.03	6,044,246.44
3. Land and land rights without buildings	3,390,461.83	2,582.06	3,387,876.77	1,956,211.65	0.00	0.00	419,691.02	1,536,520.63	1,851,356.14	1,434,250.18
4. Land with hereditary building rights of third parties	18,515,501.77	0.00	18,515,504.77	9,362,826.56	0.00	0.00	0.00	9,362,826.56	9,152,678.21	9,152,675.21
5. Buildings on third-party land	53,364.61	0.00	53,364.61	51,077.55	762.35	0.00	0.00	51,839.90	1,524.71	2,287.06
6. Plant and machinery	108,489.89	0.00	108,489.89	13,561.23	5,424.49	0.00	0.00	18,985.72	89,504.17	94,928.66
7. Other equipment, furniture and fixtures	124,890.07	0.00	124,890.07	86,773.57	4,392.90	0.00	0.00	91,166.47	33,723.60	38,116.50
Total property, plant and equipment	979,515,539.79	14,868,087.69	964,647,452.10	338,200,604.67	14,743,862.84	14,865,505.63	419,691.02	337,659,270.86	626,988,181.24	641,314,935.12
II. Financial assets										
1. Shares in affiliates	1,883,566.78	0.00	1,883,566.78	1,513,392.07	0.00	0.00	0.00	1,513,392.07	370,174.71	370,174.71
2. Loans to affiliates	1,281,324.17	25,626.48	1,255,697.69	0.00	0.00	0.00	0.00	0.00	1,255,697.69	1,281,324.17
Total financial assets	3,164,890.95	25,626.48	3,139,264.47	1,513,392.07	0.00	0.00	0.00	1,513,392.07	1,625,872.40	1,651,498.88
Total fixed assets	982,680,430.74	14,893,714.17	967,786,716.57	339,713,996.74	14,743,862.84	14,865,505.63	419,691.02	339,172,662.93	628,614,053.64	642,966,434.00

Statement of liabilities of SÜDOST WOBA DRESDEN GMBH, Dresden

Exhibit 2 to the notes

The due dates of the liabilities and the securing liens and other rights break down as follows:

Liabilities	Total		Thereof				secured EUR	Type of collateral
	31 Dec 2011 EUR	31 Dec 2010 EUR	due in		31 Dec 2011 EUR	31 Dec 2010 EUR		
			up to one year 31 Dec 2011 EUR	31 Dec 2010 EUR				
1. Liabilities to banks	533,652,035.50	(533,762,487.21)	2,934,983.23	(2,935,590.70)	530,717,052.27	(530,826,896.51)	533,652,035.50	Real estate liens
2. Prepayments received	36,191,317.15	(33,409,073.46)	36,191,317.15	(33,409,073.46)	0.00	(0.00)	0.00	
3. Rent liabilities	1,158,869.88	(1,095,791.39)	1,158,869.88	(1,095,791.39)	0.00	(0.00)	0.00	
4. Trade payables	1,483,756.49	(1,650,839.44)	1,483,756.49	(1,650,839.44)	0.00	(0.00)	0.00	
5. Liabilities to affiliates	11,046,199.60	(16,009,028.50)	11,046,199.60	(16,009,028.50)	0.00	(0.00)	0.00	
6. Liabilities to shareholders	179,751.30	(1,844.59)	179,751.30	(1,844.59)	0.00	(0.00)	0.00	
7. Other liabilities	70,163.26	(40,252.14)	70,163.26	(40,252.14)	0.00	(0.00)	0.00	
Total liabilities	583,782,093.18	(585,969,316.73)	53,065,040.91	(55,142,420.22)	530,717,052.27	(530,826,896.51)	533,652,035.50	

APPENDIX 6
2012 AUDITED FINANCIAL STATEMENTS OF WOHNBAU NORDWEST GMBH

WOHNBAU NORDWEST GmbH
Dresden

Audited financial statements

31 December 2012

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Table of Contents

- A. Auditors' report
- B. Financial statements
- C. Notes to the financial statements

The following auditor's opinion (Bestätigungsvermerk) refers to the annual financial statements as well as to the management report prepared on the basis of German Commercial Code (HGB) („Handelsgesetzbuch“: “German Commercial Code”) of WOHNBAU NORDWEST GMBH for the fiscal year ended December 31, 2012 as a whole and not solely to the annual financial statements presented in this Prospectus on the subsequent pages. The above mentioned auditor's opinion (Bestätigungsvermerk) and annual financial statements are both translations of the respective German language documents.

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of WOHNBAU NORDWEST GmbH, Dresden, for the fiscal year from 1 January 2012 to 31 December 2012. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch“: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets,

financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 26 February 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(signed)

Völker
Wirtschaftsprüfer
[German Public Auditor]

(signed)

Paul
Wirtschaftsprüfer
[German Public Auditor]

Translation from the German language

WOHNBAU NORDWEST GmbH, Dresden
Balance sheet as of 31 December 2012

ASSETS	31 Dec 2012	31 Dec 2011
	EUR	EUR
A. FIXED ASSETS		
I. Property, plant and equipment		
1. Land and land rights with residential buildings	494,212,118.95	501,137,523.50
2. Land and land rights with commercial and other buildings	2,006,264.35	2,094,448.30
3. Land and land rights without buildings	1,168,335.73	1,224,654.92
4. Land with hereditary building rights of third parties	77,746.54	77,746.54
5. Other equipment, furniture and fixtures	46,960.73	59,097.16
	497,511,426.30	504,593,470.42
II. Financial assets		
Loans to affiliates	8,997,032.78	9,205,460.82
	506,508,459.08	513,798,931.24
B. CURRENT ASSETS		
I. Land held for sale and other inventories		
Work in process	29,422,742.57	29,184,025.93
II. Receivables and other assets		
1. Rent receivables	680,341.92	792,967.99
2. Receivables from the sale of land	0.00	1,265,497.69
3. Receivables from affiliates	152,902.38	728,418.95
4. Receivables from shareholders	167,531,217.06	168,638,337.93
5. Other assets	911,463.96	1,977,433.81
	169,275,925.32	173,402,656.37
III. Cash on hand and bank balances		
	15,451,967.72	27,607,939.94
	214,150,635.61	230,194,622.24
Total assets	720,659,094.69	743,993,553.48
Trust assets	7,559,589.33	6,944,310.23

Translation from the German language

WOHNBAU NORDWEST GmbH, Dresden
Balance sheet as of 31 December 2012

EQUITY AND LIABILITIES	31 Dec 2012 EUR	31 Dec 2011 EUR
A. EQUITY		
I. Subscribed capital	51,155,900.00	51,155,900.00
II. Revenue reserves		
1. Other revenue reserves	11,599,373.04	11,599,373.04
2. Special reserve pursuant to Sec. 27 (2) DMBilG ["DM-Bilanzgesetz": German DM Balance Sheet Act]	112,995,933.57	112,995,933.57
	124,595,306.61	124,595,306.61
	175,751,206.61	175,751,206.61
B. SPECIAL ITEMS		
Special items for investment grants	8,595,068.51	8,833,203.96
C. PROVISIONS		
1. Tax provisions	1,488.87	246,737.55
2. Other provisions	10,282,858.58	7,006,234.63
	10,284,347.45	7,252,972.18
D. LIABILITIES		
1. Liabilities to other lenders	471,928,783.21	492,429,721.79
2. Prepayments received	35,269,888.85	34,146,711.58
3. Rent liabilities	1,021,576.10	1,246,069.12
4. Trade payables	1,048,904.21	1,166,643.80
5. Liabilities to affiliates	548,920.66	610,863.11
6. Liabilities to shareholders	15,974,720.29	22,018,266.51
7. Other liabilities	235,678.80	537,894.82
thereof for taxes: EUR 225,134.38 (prior year: EUR 225,134.38)		
	526,028,472.12	552,156,170.73
	720,659,094.69	743,993,553.48
Total equity and liabilities	720,659,094.69	743,993,553.48
Trust liabilities	7,559,589.33	6,944,310.23

Translation from the German language

WOHNBAU NORDWEST GmbH, Dresden

Income statement for the period from 1 January to 31 December 2012

	EUR	2012 EUR	2011 EUR
1. Revenue			
a) from real estate management	84,457,096.39		86,804,659.10
b) from the sale of land	1,496,000.00		26,870,000.00
c) from third-party real estate management	200.91		168.84
		85,953,297.30	113,674,827.94
2. Increase/decrease in work in process		238,716.64	-1,417,743.10
3. Other operating income		3,683,091.33	5,819,210.56
4. Cost of purchased merchandise and services			
a) Expenses for real estate management	41,988,246.80		39,791,780.54
b) Expenses for land held for sale	1,868,186.36		24,398,720.96
c) Cost of other merchandise and services	773.14		18.20
		43,857,206.30	64,190,519.70
5. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment		8,148,357.36	8,560,945.46
6. Other operating expenses		4,106,120.46	4,283,647.85
7. Income from loans classified as fixed financial assets thereof from affiliates: EUR 460,273.08 (prior year: EUR 470,958.74)		460,273.08	470,958.74
8. Other interest and similar income thereof from affiliates: EUR 5,930,127.90 (prior year: EUR 6,944,718.61)		6,071,962.93	7,008,415.53
9. Interest and similar expenses thereof to affiliates: EUR 476,210.78 (prior year: EUR 702,318.15)		21,967,440.71	24,002,321.28
10. Result from ordinary activities		<u>18,328,216.45</u>	<u>24,518,235.38</u>
11. Income taxes		105,756.10	201,220.32
12. Other taxes		2,256,755.82	2,307,146.67
13. Result before compensation payment and profit transfer		<u>15,965,704.53</u>	<u>22,009,868.39</u>
14. Compensation paid to minority shareholders		568,053.30	876,253.30
15. Profit transfer		<u>15,397,651.23</u>	<u>21,133,615.09</u>
16. Net income for the year		<u>0.00</u>	<u>0.00</u>

Notes to the financial statements

for fiscal year 2012 of
WOHNBAU NORTHWEST GmbH, Dresden

A. General

The financial statements of WOHNBAU NORTHWEST GmbH, Dresden (hereinafter also referred to as "WOHNBAU NORTHWEST"), were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for large corporations.

The Company classifies its balance sheet and income statement in accordance with the regulations on prescribed forms for the classification of the annual financial statements of housing companies in the version dated 25 May 2009.

The fiscal year is the calendar year. Prior-year figures are in parentheses.

The shareholders of WOHNBAU NORTHWEST are WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "WOBA"), with a share of 94.90% and Opera Co-Acquisition GmbH & Co. KG, Dresden, with 5.10%.

On 30 October 2006, WOHNBAU NORTHWEST concluded a domination and profit and loss transfer agreement with WOBA. The agreement was concluded for an indefinite period and may be terminated by either contracting party giving six months' notice to the end of a fiscal year. The agreement was entered in the commercial register on 15 November 2006 and took retroactive effect as of 1 January 2006.

B. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. Property, plant and equipment are depreciated over their estimated useful lives. Where necessary, write-downs are charged on fixed assets if their impairment is expected to be permanent in order to recognize them at the lower net realizable value on the balance sheet date.

Building costs for land with residential buildings are largely amortized using the straight-line method over a period of 40 or 50 years.

Other equipment, furniture and fixtures are mainly depreciated over useful lives of 3 to 20 years.

Translation from the German language

Depreciation of additions to property, plant and equipment is charged pro rata temporis.

Low-value assets with an individual value not exceeding EUR 150.00 are recognized as an expense.

Low-value assets with an individual net value of between EUR 150.01 and EUR 410.00 are fully expensed in the year of acquisition with their immediate disposal being assumed.

For convenience, the collective item procedure applied for tax purposes to low-value assets with an individual net value of between EUR 150.01 and EUR 1,000.00 was also used in the statutory balance sheet in fiscal years 2008 and 2009. The collective item was depreciated by 20% in the year of acquisition and in each of the following four years.

With regard to financial assets, loans are disclosed at nominal value. Write-downs to the lower net realizable value are made if impairment is expected to be permanent.

Land without buildings and land with hereditary building rights of third parties is recognized at acquisition or production cost or at the lower net realizable value as of the balance sheet date pursuant to Sec. 253 (4) HGB.

Work in process is valued at acquisition cost.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. General bad debt allowances account for any other general risks.

Special items include investment grants which are released over the term of the related asset on a pro rata basis.

Tax provisions and other provisions account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases).

Liabilities are recorded at the settlement value.

To determine deferred taxes arising due to timing or temporary (quasi-permanent) differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the resulting tax burden and relief are valued using the company-specific tax rates at the time the differences reverse; these amounts are not discounted. Deferred tax assets and liabilities are offset. The option not to recognize deferred tax assets was exercised.

Foreign currency assets and liabilities were translated using the mean spot rate on the balance sheet date. If they had residual terms of more than one year, the realization principle (Sec. 252 (1) No. 4 Clause 2 HGB) and the historical cost principle (Sec. 253 (1) Sentence 1 HGB) were applied.

C. Notes to the balance sheet and income statement

I. Balance sheet

The development of the individual fixed asset items, including amortization, depreciation and write-downs for the fiscal year, is shown in the statement of changes in fixed assets (exhibit 1 to the notes).

In the fiscal year, impairment losses of EUR 641k (EUR 961k) were reversed as the reasons for the impairment losses recognized in prior years no longer applied.

Financial assets include loans to WOBA of EUR 8,997k (EUR 9,205k) in connection with lease agreements on buildings and parts of buildings concluded on 15 and 21 December 2004. The properties are recorded in the balance sheet of WOBA (lessee), as the beneficial owner.

Work in process includes uninvoiced operating and heating expenses of EUR 29,423k (EUR 29,184k).

Receivables from affiliates include:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Trade receivables	139	156
Other assets	14	572
	<u>153</u>	<u>728</u>

Receivables from shareholders of EUR 167,531k (EUR 168,638k) exclusively relate to financial receivables from WOBA.

As in the prior year, all receivables and other assets are due in less than one year.

The Company has cash and cash equivalents of EUR 15,452k (EUR 27,606k), of which EUR 3,835k (EUR 25,826k) is restricted and EUR 11,617k (EUR 1,780k) is freely available.

Restricted cash and cash equivalents include interest for global loans of EUR 2,077k (EUR 2,207k), which is not due until after the balance sheet date.

Another EUR 1,758k (EUR 23,584k) of cash and cash equivalents is restricted since it will have to be used either to acquire new properties or repay global loans.

No restricted cash and cash equivalents (EUR 14k) were deposited for guarantee facilities in 2012.

Translation from the German language

The development in special items is shown below:

Special item in EUR k	1 Jan 2012	Reversal	31 Dec 2012
Special item for investment grants	8,833	238	8,595

Other provisions break down as follows:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Provisions for maintenance services rendered	2,961	1,100
Provisions for sales commissions	2,902	3,111
Provisions pursuant to the VZOG [“Vermögenszuordnungsgesetz”: German Law on the Allocation of Property]	1,359	1,359
Provisions for restitutions	1,256	95
Provisions for litigation risks	697	112
Provisions for refinancing	614	614
Provisions for the requirement to disclose gains from the sale of restituted properties pursuant to the InvorG [“Investitionsvorranggesetz”: German Investment Priority Act]	261	261
Provisions for demolition costs	34	48
Provisions for audits	24	19
Miscellaneous	175	287
	<u>10,283</u>	<u>7,006</u>

The liabilities including their residual terms are listed individually in the statement of liabilities (exhibit 2 to the notes).

Liabilities to other lenders relate to a loan agreement with Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK, transferred all of the respective loan receivable to other lenders. The Company’s loan liability was recognized as a liability to other lenders in the balance sheet as all of the other lenders are known to the Company.

Liabilities to affiliates include:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Trade payables	168	492
Other liabilities	381	118
	<u>549</u>	<u>610</u>

Financial liabilities from profit transfers are now disclosed under liabilities to shareholders. Liabilities to shareholders include:

	31 Dec 2012 EUR k	31 Dec 2011 EUR k
Financial liabilities	15,966	22,010
Other liabilities	9	9

15,975

22,018

Liabilities from profit transfers have been disclosed under financial liabilities since this fiscal year.

Contingent liabilities

Together with WOBA, SÜDOST WOBA DRESDEN GMBH, Dresden, Liegenschaften Weißig GmbH, Dresden, and WOBA HOLDING GMBH, Dresden (hereinafter also referred to as "WOBA HOLDING"), WOHNBAU NORDWEST has assumed joint liability for a loan liability due to other lenders. The loan originally amounted to EUR 1,201,000k but was reduced to EUR 1,042,988k as of the balance sheet date.

These contingent liabilities are not expected to result in any claims against the Company as the loan is being repaid as scheduled by the companies involved.

Other financial obligations

Several actions of the city of Dresden, capital of the Free State of Saxony, against WOBA HOLDING and other WOBA companies were settled in March 2012 via settlement agreements. These settlement agreements provide for several amendments to the social protection provisions of the privatization agreement between the WOBA companies and the city of Dresden.

In addition, the city of Dresden is to receive nine annual payments for the period between 2012 and 2020 in the amount of EUR 4,000k per year (a total of EUR 36,000k), 40% of which will be invested in social projects that are to primarily benefit WOBA's tenants in Dresden. The WOBA companies have also borne the litigation costs of the city of Dresden up to an amount of EUR 4,000k. All litigation costs borne thereafter have since been paid to the city of Dresden by the WOBA companies.

Additional other financial obligations resulted from the loan agreement with other lenders. These included average minimum expenditures for ongoing repair and maintenance work, modernization work and recurring capital expenditures of EUR 5.95/m² p.a. over a period of three consecutive years applied to the original portfolio acquired by the city of Dresden or an amount in line with industry standards taking account of the age and construction type of the units contained in the portfolio.

Under the privatization agreement for the WOBA subgroup, the Company is obliged to the city of Dresden to comply with minimum maintenance requirements. These include certain average minimum expenditures for ongoing repair and maintenance work, modernization work and recurring annual capital expenditures over a period of three consecutive years applied to the original portfolio acquired by the city of Dresden or an amount in line with industry standards taking account of the age and construction type of the units contained in the portfolio. This obligation is valid until April 2016.

The loan agreement with Deutsche Bank AG, London, UK, and Lehman Brothers Europe Limited i. L., London, UK, which transferred all of the respective loan receivable to other lenders, required the Company to comply with social protection provisions under the privatization agreement and therefore with the aforementioned maintenance obligations.

Translation from the German language

This loan agreement was replaced by a new loan agreement with an international lender on 20 February 2013. This includes minimum expenditures for ongoing maintenance of EUR 10.50/m² applied to the average portfolio in that year. It is possible to carry forward excess amounts to the following year or to recover shortfalls in the subsequent year.

Due to the settlement agreement with the city of Dresden concluded in March 2012, the Company is required to comply with another minimum maintenance requirement. This condition requires the Company to ensure that a certain average minimum annual amount for maintenance work per square meter of residential space is invested over a period of three consecutive years. This provision applies until April 2021.

GAGFAH M Immobilien-Management GmbH, Essen, and WOBA as the contracting parties have concluded master agreements on maintenance services with B&O Service- und Messtechnik AG, Bad Aibling, as the contractor.

The conclusion of these master agreements has enabled the individual property-owning companies of the GAGFAH Group to further improve the efficiency of maintenance with regard to cost and quality.

Under this agreement, the contracting parties guarantee in particular that the individual asset companies of the GAGFAH Group will commission the contractor with maintenance of EUR 24,000k each in the subsequent two years. Moreover, the contractor operates a call center for the GAGFAH Group in order to guarantee timely and efficient processing of maintenance orders. In addition, the GAGFAH Group agrees to compensate the contractor for fixed costs besides commissioning it with maintenance work. Based on the share of properties owned by WOHNBAU NORDWEST as of the balance sheet date, the Company expects to commission maintenance services totaling EUR 6,000k in the next two years under this master agreement.

Related party transactions

The Company granted loans to affiliates and shareholders in the fiscal year. These loans are not secured. The loan receivables came to EUR 165,454k (EUR 166,283k) as of the balance sheet date and are payable on demand. The associated interest income amounts to EUR 5,930k (EUR 6,945k).

II. Income statement

For a breakdown of revenue, which was fully generated in Germany, please refer to the income statement.

The income statement includes the following **out-of-period** income:

	2012 EUR k	2011 EUR k
Income from the reversal of provisions	278	437
Income from the write-off of liabilities	106	212
Income from the receipt of written-off receivables from prior years	45	57
Income from expense adjustments for prior years for real estate management	28	21
Income from prior years from real estate management	1	33
Income from prior years from administrative services	0	44
	<u>458</u>	<u>804</u>

Expenses for land held for sale of EUR 1,868k (EUR 24,399k) mainly include expenses from the disposal of fixed assets at a residual book value of EUR 1,112k (EUR 22,780k) as well as selling expenses of EUR 756k (EUR 1,618k).

The income statement includes the following **out-of-period** expenses:

	2012 EUR k	2011 EUR k
Income adjustments for real estate management	112	186
Write-downs of receivables/other assets	64	51
Offsetting of the investment grant received for the years 2003 and 2004	0	327
Other	1	7
	<u>177</u>	<u>571</u>

Income taxes of EUR 106k (EUR 201k) break down as follows:

	2012 EUR k	2011 EUR k
Corporate income tax	100	155
Tax backpayments for prior years	0	38
Solidarity surcharge on corporate income tax	6	8
	<u>106</u>	<u>201</u>

Other taxes of EUR 2,257k (EUR 2,307k) include real estate taxes. Real estate taxes that are to be charged on to tenants amount to EUR 2,187k (EUR 2,222k), non-allocable real estate taxes amount to EUR 18k (EUR 36k) and real estate taxes for undeveloped land amount to EUR 52k (EUR 49k).

D. Restatement of prior-year figures

In order to improve the clarity of presentation of the net assets in accordance with Sec. 264 (2) Sentence 1 HGB and to improve the comparability, the prior-year figures of liabilities to banks and liabilities to other lenders were restated so that the former liability to Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK, which was fully transferred to other lenders by Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK, is now recognized under liabilities to other lenders as the other lenders are known to the Company.

In order to improve the clarity of presentation of the financial position in accordance with Sec. 264 (2) Sentence 1 HGB and to improve comparability, the prior-year figures of liabilities to affiliates and liabilities to shareholders were restated so that liabilities from profit transfer is now disclosed under liabilities to shareholders.

E. Other notes

Members of management

Mr. William Joseph Brennan (until 31 March 2012)

Chief Executive Officer and Chairman of the management board of the GAGFAH Group

Mr. Stephen Charlton

Chief Executive Officer and

Chairman of the management board of the GAGFAH Group (since 1 April 2012)

Chief Financial Officer of the GAGFAH Group (until 31 March 2012)

Mr. Stefan de Greiff (until 19 June 2012)

Chief Investment and Sales Officer of the GAGFAH Group

Mr. Nicolai Kuß

Chief Operating Officer of the GAGFAH Group

Mr. Gerald Klinck (since 5 November 2012)

Chief Financial Officer of the GAGFAH Group

Total remuneration of the members of management

The members of management did not receive any remuneration from the Company in fiscal year 2012.

Audit and consulting fees

The fees incurred for the auditor amounted to EUR 39k (EUR 38k) in fiscal year 2012.

This amount was incurred in full for the audit of the annual financial statements.

Group relationships

The company which prepares the consolidated financial statements for the smallest and largest group of companies is GAGFAH S.A., 2-4, rue Beck, 1222 Luxembourg, Luxembourg. The consolidated financial statements are available from the Company's registered office in Luxembourg or at www.gagfah.com.

F. Appropriation of net income

In accordance with the domination and profit and loss transfer agreement, WOHNBAU NORTHWEST's net income for the year of EUR 15,965,704.53 was transferred to WOBA in the amount of EUR 15,397,651.23 after compensation payments to the minority shareholder of EUR 568,053.30.

Dresden, 26 February 2013

The Management of WOHNBAU NORTHWEST GmbH

Charlton

Klinck

Kuß

Statement of changes in fixed assets of WOHNBAU NORDWEST GmbH, Dresden

Exhibit 1 to the notes

	Gross values				Amortization, depreciation and write-downs					Net book values	
	Acquisition/ production cost	Additions	Disposals	Acquisition/ production cost	Accumulated amortization, depreciation and write- downs	Additions	Disposals	Write-ups	Accumulated amortization, depreciation and write- downs	Net book value	Net book value
	1 Jan 2012 EUR	EUR	EUR	31 Dec 2012 EUR	1 Jan 2012 EUR	EUR	EUR	EUR	31 Dec 2012 EUR	31 Dec 2012 EUR	31 Dec 2011 EUR
I. Property, plant and equipment											
1. Land and land rights with residential buildings	749,225,110.03	1,566,395.35 ¹⁾	2,061,809.23	748,729,696.15	248,087,586.53	8,049,682.98	978,559.68	641,132.63	254,517,577.20	494,212,118.95	501,137,523.50
2. Land and land rights with commercial and other buildings	3,460,610.80	0.00	0.51	3,460,610.29	1,366,162.50	88,183.95	0.51	0.00	1,454,345.94	2,006,264.35	2,094,448.30
3. Land and land rights without buildings	2,168,885.84	0.00	67,669.64	2,101,216.20	944,230.92	0.00	11,350.45	0.00	932,880.47	1,168,335.73	1,224,654.92
4. Land with hereditary building rights of third parties	77,746.54	0.00	0.00	77,746.54	0.00	0.00	0.00	0.00	0.00	77,746.54	77,746.54
5. Other equipment, furniture and fixtures	250,843.92	0.00	44,963.78	205,880.14	191,746.76	10,490.43	43,317.78	0.00	158,919.41	46,960.73	59,097.16
Total property, plant and equipment	755,183,197.13	1,566,395.35	2,174,443.16	754,575,149.32	250,589,726.71	8,148,357.36	1,033,228.42	641,132.63	257,063,723.02	497,511,426.30	504,593,470.42
II. Financial assets											
Loans to affiliates	9,205,460.82	0.00	208,428.04	8,997,032.78	0.00	0.00	0.00	0.00	0.00	8,997,032.78	9,205,460.82
Total financial assets	9,205,460.82	0.00	208,428.04	8,997,032.78	0.00	0.00	0.00	0.00	0.00	8,997,032.78	9,205,460.82
Total fixed assets	764,388,657.95	1,566,395.35	2,382,871.20	763,572,182.10	250,589,726.71	8,148,357.36	1,033,228.42	641,132.63	257,063,723.02	506,508,459.08	513,798,931.24

1) thereof EUR 1,566,395.35 acquisition/production costs from reversal of a purchase agreement

Statement of liabilities of WOHNBAU NORDWEST GmbH, Dresden

Exhibit 2 to the notes

The due dates of the liabilities and the securing liens and other rights break down as follows:

Liabilities	Total		Thereof					secured EUR	Type of collateral
	31 Dec 2012 EUR	31 Dec 2011 EUR	due in		31 Dec 2012 EUR	31 Dec 2011 EUR			
			up to one year 31 Dec 2012 EUR	one to five years 31 Dec 2011 EUR					
1. Liabilities to other lenders	471,928,783.21	(492,429,721.79)	471,928,783.21	(2,708,268.46)	0.00	(489,721,453.33)	471,928,783.21	Real estate liens	
2. Prepayments received	35,269,888.85	(34,146,711.58)	35,269,888.85	(34,146,711.58)	0.00	(0.00)	0.00		
3. Rent liabilities	1,021,576.10	(1,246,069.12)	1,021,576.10	(1,246,069.12)	0.00	(0.00)	0.00		
4. Trade payables	1,048,904.21	(1,166,643.80)	1,048,904.21	(1,166,643.80)	0.00	(0.00)	0.00		
5. Liabilities to affiliates	548,920.66	(610,863.11)	548,920.66	(610,863.11)	0.00	(0.00)	0.00		
6. Liabilities to shareholders	15,974,720.29	(22,018,266.51)	15,974,720.29	(22,018,266.51)	0.00	(0.00)	0.00		
7. Other liabilities	235,678.80	(537,894.82)	235,678.80	(537,894.82)	0.00	(0.00)	0.00		
thereof for taxes:	225,314.38	(225,314.38)	225,314.38	(225,314.38)	0.00	(0.00)	0.00		
Total liabilities	526,028,472.12	(552,156,170.73)	526,028,472.12	(62,434,717.40)	0.00	(489,721,453.33)	471,928,783.21		

APPENDIX 7
2011 AUDITED FINANCIAL STATEMENTS OF WOHNBAU NORDWEST GMBH

WOHNBAU NORDWEST GmbH
Dresden

Audited financial statements

31 December 2011

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Table of Contents

- A. Auditors' report
- B. Financial statements
- C. Notes to the financial statements

The following auditor's opinion (Bestätigungsvermerk) refers to the annual financial statements as well as to the management report prepared on the basis of German Commercial Code (HGB) („Handelsgesetzbuch“: “German Commercial Code”) of WOHNBAU NORDWEST GMBH for the fiscal year ended December 31, 2011 as a whole and not solely to the annual financial statements presented in this Prospectus on the subsequent pages. The above mentioned auditor's opinion (Bestätigungsvermerk) and annual financial statements are both translations of the respective German language documents.

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of WOHNBAU NORDWEST GmbH, Dresden, for the fiscal year from 1 January 2011 to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch“: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Eschborn/Frankfurt am Main, 23 March 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(signed)

Völker
Wirtschaftsprüfer
[German Public Auditor]

(signed)

Helms
Wirtschaftsprüfer
[German Public Auditor]

Translation from the German language

WOHNBAU NORDWEST GmbH, Dresden
Balance sheet as of 31 December 2011

ASSETS	31 Dec 2011	31 Dec 2010
	EUR	EUR
A. FIXED ASSETS		
I. Property, plant and equipment		
1. Land and land rights with residential buildings	501,137,523.50	531,431,395.09
2. Land and land rights with commercial and other buildings	2,094,448.30	2,182,632.25
3. Land and land rights without buildings	1,224,654.92	1,224,654.92
4. Land with hereditary building rights of third parties	77,746.54	77,746.54
5. Other equipment, furniture and fixtures	59,097.16	69,897.16
	<u>504,593,470.42</u>	<u>534,986,325.96</u>
II. Financial assets		
Loans to affiliates	9,205,460.82	9,419,176.46
	<u>513,798,931.24</u>	<u>544,405,502.42</u>
B. CURRENT ASSETS		
I. Land held for sale and other inventories		
Work in process	29,184,025.93	30,601,769.03
II. Receivables and other assets		
1. Rent receivables	792,967.99	1,225,245.14
2. Receivables from the sale of land	1,265,497.69	1,450,434.41
3. Receivables from affiliates	728,418.95	2,233,160.02
4. Receivables from shareholders	168,638,337.93	166,752,960.56
5. Other assets	1,977,433.81	678,221.61
	<u>173,402,656.37</u>	<u>172,340,021.74</u>
III. Cash on hand and bank balances	27,607,939.94	49,617,553.83
	<u>230,194,622.24</u>	<u>252,559,344.60</u>
Total assets	<u>743,993,553.48</u>	<u>796,964,847.02</u>
Trust assets	6,944,310.23	6,675,159.15

WOHNBAU NORDWEST GmbH, Dresden
Balance sheet as of 31 December 2011

EQUITY AND LIABILITIES	31 Dec 2011	31 Dec 2010
	EUR	EUR
A. EQUITY		
I. Subscribed capital	51,155,900.00	51,155,900.00
II. Revenue reserves		
1. Other revenue reserves	11,599,373.04	11,599,373.04
2. Special reserve pursuant to Sec. 27 (2) DMBilG	112,995,933.57	112,995,933.57
	<u>124,595,306.61</u>	<u>124,595,306.61</u>
	<u>175,751,206.61</u>	<u>175,751,206.61</u>
B. SPECIAL ITEMS		
Special items for investment grants	8,833,203.96	9,790,298.19
C. PROVISIONS		
1. Tax provisions	246,737.55	179,283.81
2. Other provisions	7,006,234.63	6,262,805.84
	<u>7,252,972.18</u>	<u>6,442,089.65</u>
D. LIABILITIES		
1. Liabilities to banks	492,429,721.79	532,279,753.28
2. Prepayments received	34,146,711.58	34,806,431.76
3. Rent liabilities	1,246,069.12	1,261,339.97
4. Trade payables	1,166,643.80	1,404,350.93
5. Liabilities to affiliates	21,744,478.20	35,047,733.10
6. Liabilities to shareholders	884,651.42	62,850.06
7. Other liabilities	537,894.82	118,793.47
thereof for taxes: EUR 225,314.38 (prior year: EUR 0.60)		
	<u>552,156,170.73</u>	<u>604,981,252.57</u>
Total equity and liabilities	<u>743,993,553.48</u>	<u>796,964,847.02</u>
Trust liabilities	6,944,310.23	6,675,159.15
Kontrollsumme Bilanz	0.00	0.00
Kontrollsumme Treuhandkonten	0.00	0.00

Translation from the German language

WOHNBAU NORDWEST GmbH, Dresden
Income statement for the period from 1 January to 31 December 2011

	EUR	2011 EUR	2010 EUR
1. Revenue			
a) from real estate management	86,804,659.10		94,565,697.8€
b) from the sale of land	26,870,000.00		162,198,232.6€
c) from third-party real estate management	168.84		168.8€
d) from other trade	0.00		799.2€
		<u>113,674,827.94</u>	<u>256,764,898.6€</u>
2. Decrease in work in process		-1,417,743.10	-3,292,777.3€
3. Other operating income		5,819,210.56	13,619,015.0€
4. Cost of purchased merchandise and services			
a) Expenses for real estate management	39,791,780.54		40,967,910.8€
b) Expenses for land held for sale	24,398,720.96		147,811,378.6€
c) Cost of other merchandise and services	18.20		471.8€
		<u>64,190,519.70</u>	<u>188,779,761.2€</u>
5. Amortization, depreciation and write-downs of intangible assets and property, plant and equipment		8,560,945.46	10,471,779.8€
6. Other operating expenses		4,283,647.85	7,258,434.5€
7. Income from loans classified as fixed financial assets thereof from affiliates: EUR 470,958.74 (prior year: EUR 481,916.52)		470,958.74	481,916.5€
8. Other interest and similar income thereof from affiliates: EUR 6,944,718.61 (prior year: EUR 4,730,683.20)		7,008,415.53	4,976,075.6€
9. Interest and similar expenses thereof to affiliates: EUR 702,318.15 (prior year: EUR 239,825.67)		24,002,321.28	29,303,771.2€
10. Result from ordinary activities		<u>24,518,235.38</u>	<u>36,735,381.7€</u>
11. Income taxes		201,220.32	270,521.3€
12. Other taxes		2,307,146.67	2,742,690.1€
13. Result before compensation payment and profit transfer		<u>22,009,868.39</u>	<u>33,722,170.1€</u>
14. Compensation paid to minority shareholders		876,253.30	1,468,753.3€
15. Profit transfer		21,133,615.09	32,253,416.8€
16. Net income for the year		<u>0.00</u>	<u>0.0€</u>

Notes to the financial statements

for fiscal year 2011 of
WOHNBAU NORDWEST GmbH, Dresden

A. General

The financial statements of WOHNBAU NORDWEST GmbH, Dresden (hereinafter also referred to as "WOHNBAU NORDWEST"), were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for large corporations.

The Company classifies its balance sheet and income statement in accordance with the regulations on prescribed forms for the classification of the annual financial statements of housing companies in the version dated 25 May 2009.

The fiscal year is the calendar year. Prior-year figures are in parentheses.

The shareholders of WOHNBAU NORDWEST are WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "WOBA"), with a share of 94.90% and Opera Co-Acquisition GmbH & Co. KG, Dresden, with 5.10%.

On 30 October 2006, WOHNBAU NORDWEST concluded a domination and profit and loss transfer agreement with WOBA. The agreement was entered in the commercial register on 15 November 2006 and took retroactive effect as of 1 January 2006.

B. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. Property, plant and equipment are depreciated over their estimated useful lives. Where necessary, write-downs are charged on fixed assets if their impairment is expected to be permanent in order to recognize them at the lower net realizable value on the balance sheet date.

Building costs for land with residential buildings are largely amortized using the straight-line method over a period of 40 or 50 years.

Buildings intended to be demolished and demolition of which has been agreed by the GAGFAH Group in the context of the acquisition of the WOBA subgroup were written down to a book value of EUR 0.00. In fiscal year 2011, the demolition plan was revised taking into account the demolition agreed to in the context of the sale.

Other equipment, furniture and fixtures are mainly depreciated over useful lives of 3 to 20 years.

Depreciation of additions to property, plant and equipment is charged pro rata temporis.

Low-value assets with an individual value not exceeding EUR 150.00 are recognized in operating expenses.

Low-value assets with a net value of between EUR 150.01 and EUR 410.00 are fully expensed in the year of acquisition with their immediate disposal being assumed.

In fiscal years 2008 and 2009, low-value assets with a net value of between EUR 150.01 and EUR 1,000.00 were recognized in a collective item and depreciated over five years.

With regard to financial assets, loans are disclosed at nominal value. Write-downs to the lower net realizable value are made if permanent impairment is assumed.

Work in process is valued at acquisition cost.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. The general credit risk is provided for by a general bad debt allowance.

Special items include investment grants which are released over the term of the related asset on a pro rata basis.

Tax provisions and other provisions account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases).

In accordance with Sec. 253 (2) Sentence 1 HGB, provisions with a residual term of more than one year are discounted at the average market interest rate of the past seven fiscal years for their respective residual terms. The applicable discount rate is determined by Deutsche Bundesbank pursuant to an executive ordinance and published monthly.

If the underlying commitment includes an interest portion or constitutes a pension obligation entered into for no consideration, a provision is recognized at the present value.

Liabilities are recorded at the settlement value.

To determine deferred taxes arising due to timing or temporary differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, the resulting tax burden and relief are valued using the company-specific tax rates at the time the differences reverse; these amounts are not discounted. Deferred tax assets and liabilities are offset. The option not to recognize deferred tax assets was exercised.

C. Notes to the balance sheet and income statement

I. Balance sheet

The development of the individual fixed asset items, including amortization, depreciation and write-downs for the fiscal year, is shown in the statement of changes in fixed assets (exhibit 1 to the notes).

In the reporting year, impairment losses of EUR 0k (EUR 562k) were recognized due to expected permanent impairment.

Moreover, write-ups of EUR 961k (EUR 5,451k) were recognized as the reasons for the impairment losses recognized in prior years no longer apply.

Financial assets include loans to WOBA of EUR 9,205k (EUR 9,419k) in connection with lease agreements on buildings and parts of buildings concluded on 15 and 21 December 2004. The properties are recorded in the balance sheet of WOBA (lessee), as the beneficial owner.

Work in process includes uninvoiced operating and heating expenses of EUR 29,184k (EUR 30,602k).

Receivables from shareholders increased by EUR 1,967k to EUR 166,283k (EUR 164,316k) in the fiscal year. This increase is mainly due to the increase in the loan granted.

As in the prior year, all receivables and other assets are due in less than one year.

The Company's cash and cash equivalents of EUR 27,608k (EUR 49,618k) are pledged, among others, to secure guarantees and interest and principle payments of EUR 25,792k (EUR 46,137k).

Restricted cash and cash equivalents include interest for loans of EUR 2,207k (EUR 2,353k), which is not due until after the balance sheet date. Another EUR 23,584k (EUR 43,784k) of cash and cash equivalents is restricted since it will have to be used either to acquire new properties or repay global loans. The remaining amount of EUR 14k (EUR 35k) of restricted cash and cash equivalents is deposited for guarantee facilities.

The development in special items is shown below:

Special items in EUR k	1 Jan 2011	Release	31 Dec 2011
Special item for investment grants	9,790	957	8,833

Other provisions break down as follows:

	31 Dec 2011 EUR k	31 Dec 2010 EUR k
Provisions for sales commissions	3,111	2,660
Provisions pursuant to the VZOG [“Vermögenszuordnungsgesetz”: German Law on the Allocation of Property]	1,359	1,359
Provisions for maintenance services rendered	1,100	599
Provisions for refinancing	614	639
Provisions for the requirement to disclose gains from the sale of restituted properties pursuant to the InvorG [“Investitionsvorranggesetz”: German Investment Priority Act]	261	261
Provisions for litigation risks	112	317
Provisions for restitutions	95	108
Provisions for demolition costs	48	55
Provisions for audit fees	19	25
Miscellaneous	287	240
	<u>7,006</u>	<u>6,263</u>

The liabilities including their residual terms are listed individually in the statement of liabilities (exhibit 2 to the notes). Liabilities to banks relate to loan agreements with Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. Lehman Brothers Europe Limited i. L. and Deutsche Bank AG syndicated all or part of the respective loan receivable to other lenders. As not all of the other lenders are known to the Company, the balance sheet item remains unchanged.

Contingent liabilities

Together with WOBA, SÜDOST WOBA, LGW and WOBA HOLDING, WOHNBAU NORTHWEST GmbH assumed joint liability for a loan liability due to Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. The loan originally amounted to EUR 1,201,000k but was reduced to EUR 1,081,430k as of the balance sheet date.

These contingent liabilities are not expected to result in any claims against the Company as the loan is being repaid as scheduled by the companies involved.

Off-balance sheet transactions pursuant to Sec. 285 No. 3 HGB and other financial obligations pursuant to Sec. 285 No. 3a HGB

GAGFAH M Immobilien-Management GmbH, Essen (hereinafter also referred to as "GAGFAH M"), has concluded a master agreement on maintenance services jointly with WOBA, as the contracting parties, with B&O Service- und Messtechnik AG, Bad Aibling, as the contractor.

The conclusion of this master agreement has enabled the individual property-owning companies of the GAGFAH Group to further improve the efficiency of maintenance with regard to cost and quality.

Under this agreement, the contracting parties guarantee in particular that the individual asset companies of the GAGFAH Group will commission the contractor with maintenance of EUR 24,000k in the coming year and maintenance totaling EUR 36,000k in the subsequent two years. Moreover, the contractor operates a call center for the GAGFAH Group in order to guarantee timely and efficient processing of maintenance orders. In addition, the GAGFAH Group agrees to compensate the contractor for fixed costs besides commissioning it with maintenance work. Based on the share of properties owned by WOHNBAU NORDWEST as of the balance sheet date, the Company expects to commission maintenance services totaling EUR 3,963k in the next three years under this master agreement.

Trust assets and trust liabilities

Rent deposits are kept in trust accounts held at Aareal Bank AG. Bank balances for these rent deposits amount to EUR 6,944k (EUR 6,675k).

II. Income statement

For a breakdown of revenue, please refer to the income statement.

The income statement includes the following **out-of-period** income:

	2011 EUR k	2010 EUR k
Income from the reversal of provisions	437	778
Income from the write-off of liabilities	212	149
Income from recoveries on written-off receivables in prior years	57	43
Income from prior years from administrative services	44	0
Income from prior years from real estate management	33	94
Income from expense adjustments from prior years	21	4
	<u>804</u>	<u>1,068</u>

Expenses for land held for sale of EUR 24,399k (EUR 147,811k) include selling expenses of EUR 1,618k (EUR 3,653k) as well as expenses from the disposal of fixed assets at a residual book value of EUR 22,780k (EUR 144,158k).

The income statement includes the following **out-of-period** expenses:

	2011 EUR k	2010 EUR k
Offsetting of the investment grant received for the years 2003 and 2004	327	12
Write-downs of receivables/other assets	51	0
Other expenses	0	21
	<u>378</u>	<u>33</u>

Other taxes of EUR 2,307k (EUR 2,743k) mainly relate to real estate taxes that are charged on to tenants.

D. Other notes

Members of management

Mr. William Joseph Brennan

Chief Executive Officer and Chairman of the management board of the GAGFAH Group

Mr. Stefan de Greiff

Chief Investment and Sales Officer of the GAGFAH Group

Mr. Nicolai Kuss

Chief Operating Officer of the GAGFAH Group

Mr. Stephen Charlton (since 21 January 2011)

Chief Financial Officer of the GAGFAH Group

Disclosures pursuant to Sec. 285 Sentence 1 Nos. 9 a) and b) HGB

The members of management did not receive any remuneration from the Company in fiscal year 2011.

Disclosures pursuant to Sec. 285 No. 17 HGB/auditor's fees

The fees incurred for the auditor amounted to EUR 38k (EUR 62k) in fiscal year 2011.

This amount was incurred in full for the audit of the annual financial statements.

Disclosures pursuant to Sec. 285 (21) HGB/related party transactions

The Company granted loans to affiliates in the fiscal year. These loans are not secured. The loan receivables came to EUR 166,283k (EUR 164,316k) as of the balance sheet date and are payable on demand. The associated interest income amounts to EUR 7,416k (EUR 5,213k).

Group relationships

The Company which prepares the consolidated financial statements for the smallest and largest group of companies is GAGFAH S.A., 2-4, rue Beck, 1222 Luxembourg, Luxembourg. The consolidated financial statements are available from the Company's registered office in Luxembourg or at www.gagfah.com.

E. Appropriation of net income

In accordance with the domination and profit and loss transfer agreement, WOHNBAU NORDWEST's net income for the year of EUR 22,009,868.39 was transferred to WOBA in the amount of EUR 21,133,615.09 after compensation payments to the minority shareholder of EUR 876,253.30.

Dresden, 23 March 2012

The Management of WOHNBAU NORDWEST GmbH

Brennan

Charlton

de Greiff

Kuss

Statement of changes in fixed assets of WOHNBAU NORDWEST GmbH, Dresden

Exhibit 1 to the notes

	Gross values			Amortization, depreciation and write-downs				Net book values		
	Acquisition/ production cost 1 Jan 2011 EUR	Disposals EUR	Acquisition/ production cost 31 Dec 2011 EUR	Accumulated amortization, depreciation and write-downs 1 Jan 2011 EUR	Additions EUR	Disposals EUR	Write-ups EUR	Accumulated amortization, depreciation and write-downs 31 Dec 2011 EUR	Net book value 31 Dec 2011 EUR	Net book value 31 Dec 2010 EUR
I. Property, plant and equipment										
1. Land and land rights with residential buildings	778,637,964.05	29,412,854.02	749,225,110.03	247,206,568.96	8,461,961.51	6,619,966.45	960,977.49	248,087,586.53	501,137,523.50	531,431,395.09
2. Land and land rights with commercial and other buildings	3,460,610.80	0.00	3,460,610.80	1,277,978.55	88,183.95	0.00	0.00	1,366,162.50	2,094,448.30	2,182,632.25
3. Land and land rights without buildings	2,168,885.84	0.00	2,168,885.84	944,230.92	0.00	0.00	0.00	944,230.92	1,224,654.92	1,224,654.92
4. Land with hereditary building rights of third parties	77,746.54	0.00	77,746.54	0.00	0.00	0.00	0.00	0.00	77,746.54	77,746.54
5. Other equipment, furniture and fixtures	250,843.92	0.00	250,843.92	180,946.76	10,800.00	0.00	0.00	191,746.76	59,097.16	69,897.16
Total property, plant and equipment	784,596,051.15	29,412,854.02	755,183,197.13	249,609,725.19	8,560,945.46	6,619,966.45	960,977.49	250,589,726.71	504,593,470.42	534,986,325.96
II. Financial assets										
Loans to affiliates	9,419,176.46	213,715.64	9,205,460.82	0.00	0.00	0.00	0.00	0.00	9,205,460.82	9,419,176.46
Total financial assets	9,419,176.46	213,715.64	9,205,460.82	0.00	0.00	0.00	0.00	0.00	9,205,460.82	9,419,176.46
Total fixed assets	794,015,227.61	29,626,569.66	764,388,657.95	249,609,725.19	8,560,945.46	6,619,966.45	960,977.49	250,589,726.71	513,798,931.24	544,405,502.42

Statement of liabilities of WOHNBAU NORDWEST GmbH, Dresden

Exhibit 2 to the notes

The due dates of the liabilities and the securing liens and other rights break down as follows:

Liabilities	Total		Thereof					secured EUR	Type of collateral
	31 Dec 2011 EUR	31 Dec 2010 EUR	due in		31 Dec 2011 EUR	31 Dec 2010 EUR			
			up to one year 31 Dec 2011 EUR	31 Dec 2010 EUR			one to five years 31 Dec 2011 EUR		
1. Liabilities to banks	492,429,721.79	(532,279,753.28)	2,708,268.46	(2,927,435.95)	489,721,453.33	(529,352,317.33)	492,429,721.79	Real estate liens	
2. Prepayments received	34,146,711.58	(34,806,431.76)	34,146,711.58	(34,806,431.76)	0.00	(0.00)	0.00		
3. Rent liabilities	1,246,069.12	(1,261,339.97)	1,246,069.12	(1,261,339.97)	0.00	(0.00)	0.00		
4. Trade payables	1,166,643.80	(1,404,350.93)	1,166,643.80	(1,404,350.93)	0.00	(0.00)	0.00		
5. Liabilities to affiliates	21,744,478.20	(35,047,733.10)	21,744,478.20	(35,047,733.10)	0.00	(0.00)	0.00		
6. Liabilities to shareholders	884,651.42	(62,850.06)	884,651.42	(62,850.06)	0.00	(0.00)	0.00		
7. Other liabilities	537,894.82	(118,793.47)	537,894.82	(118,793.47)	0.00	(0.00)	0.00		
thereof for taxes	225,314.38	(0.60)	225,314.38	(0.60)	0.00	(0.00)	0.00		
Total liabilities	552,156,170.73	(604,981,253.17)	62,660,031.78	(75,628,935.24)	489,721,453.33	(529,352,317.33)	492,429,721.79		

APPENDIX 8
2012 AUDITED FINANCIAL STATEMENTS OF LIEGENSCHAFTEN WEIBIG GMBH

**Liegenschaften Weißig GmbH
Dresden**

Audited financial statements

31 December 2012

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Table of Contents

- A. Auditors' report
- B. Financial statements
- C. Notes to the financial statements

The following auditor's opinion (Bestätigungsvermerk) refers to the annual financial statements prepared on the basis of German Commercial Code (HGB) („Handelsgesetzbuch“: “German Commercial Code“) of Liegenschaften Weißig GmbH for the fiscal year ended December 31, 2012 as a whole as presented in this Prospectus on the subsequent pages. The above mentioned auditor's opinion (Bestätigungsvermerk) and annual financial statements are both translations of the respective German language documents.

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system of Liegenschaften Weißig GmbH, Dresden, for the fiscal year from 1 January 2012 to 31 December 2012. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch“: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records and the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting.

Eschborn/Frankfurt am Main, 26 February 2013

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(signed)

Völker
Wirtschaftsprüfer
[German Public Auditor]

(signed)

Paul
Wirtschaftsprüfer
[German Public Auditor]

Translation from the German language

Liegenschaften Weißig GmbH, Dresden
Balance sheet as of 31 December 2012

ASSETS	31 Dec 2012		31 Dec 2011
	EUR	EUR	EUR
A. FIXED ASSETS			
Property, plant and equipment			
1. Land, land rights and buildings, including buildings on third-party land	2,936,353.43		2,991,553.61
2. Other equipment, furniture and fixtures	240.78		931.02
	<u>2,936,594.21</u>		<u>2,992,484.63</u>
B. CURRENT ASSETS			
I. Land held for sale and other inventories			
Work in process		60,673.99	54,979.77
II. Receivables and other assets			
1. Trade receivables	1,840.65		1,324.85
2. Receivables from affiliates thereof from shareholders: EUR 1,642,135.88 (prior year: EUR 1,588,652.00)	1,643,083.67		1,588,736.30
3. Other assets	3,349.49		476.43
	<u>1,648,273.81</u>		<u>1,590,537.58</u>
III. Cash on hand and bank balances			
		172,788.42	166,748.23
		<u>1,881,736.22</u>	<u>1,812,265.58</u>
Total assets		<u>4,818,330.43</u>	<u>4,804,750.21</u>
Trust assets		35,631.63	32,662.00
EQUITY AND LIABILITIES			
A. EQUITY			
I. Subscribed capital			
		25,700.00	25,700.00
II. Capital reserves			
		200,000.00	200,000.00
		<u>225,700.00</u>	<u>225,700.00</u>
B. SPECIAL ITEMS			
Special items for investment grants		14,872.33	15,403.48
C. PROVISIONS			
1. Tax provisions	152.96		104.42
2. Other provisions	20,089.82		9,842.18
	<u>20,242.78</u>		<u>9,946.60</u>
D. LIABILITIES			
1. Liabilities to other lenders	4,466,586.06		4,466,586.06
2. Prepayments received	67,687.76		62,413.22
3. Trade payables	10,662.85		10,553.37
4. Liabilities to affiliates thereof to shareholders: EUR 2,700.00 (prior year: EUR 2,700.00)	8,990.49		10,416.59
5. Other liabilities	3,588.16		3,730.89
	<u>4,557,515.32</u>		<u>4,553,700.13</u>
Total equity and liabilities		<u>4,818,330.43</u>	<u>4,804,750.21</u>
Trust liabilities		35,631.63	32,662.00

Translation from the German language

Liegenschaften Weißig GmbH, Dresden

Income statement for the period from 1 January to 31 December 2012

	2012 EUR	2011 EUR
	<hr/>	<hr/>
1. Revenue	329,549.37	317,637.43
2. Increase in work in process	5,694.22	4,865.07
3. Other operating income	9,149.25	23,953.33
4. Cost of materials Cost of purchased services	168,723.46	196,944.59
5. Depreciation and write-downs of property, plant and equipment	55,268.82	55,343.42
6. Other operating expenses	21,087.16	18,789.30
7. Income from loans classified as fixed financial assets thereof from affiliates: EUR 55,948.66 (prior year: EUR 65,366.64)	55,948.66	65,366.64
8. Other interest and similar income	1,284.77	744.26
9. Interest and similar expenses	195,454.82	194,931.84
10. Result from ordinary activities	<hr/> -38,907.99	<hr/> -53,442.42
11. Income taxes	-40.82	-40.82
12. Other taxes	13,489.85	19,385.55
13. Result before compensation payment and loss absorption	<hr/> -52,357.02	<hr/> -72,787.15
14. Compensation paid to minority shareholders	2,700.00	2,700.00
15. Income from loss absorption	55,057.02	75,487.15
16. Net loss for the year	<hr/> <hr/> 0.00	<hr/> <hr/> 0.00

Notes to the financial statements

for fiscal year 2012 of
Liegenschaften Weißig GmbH, Dresden

A. General

The financial statements of Liegenschaften Weißig GmbH, Dresden (hereinafter also referred to as "LGW"), were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for small corporations.

The fiscal year is the calendar year. Prior-year figures are in parentheses.

The shareholders of LGW are WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "WOBA"), with a share of 94.75% and Opera Co.-Acquisition GmbH & Co. KG, Dresden, with 5.25%.

On 30 October 2006, LGW concluded a domination and profit and loss transfer agreement with WOBA. The agreement was concluded for an indefinite period and may be terminated by either contracting party giving six months' notice to the end of a fiscal year. The agreement was entered (in the commercial register) on 29 November 2006 and took retroactive effect as of 1 January 2006.

B. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. Property, plant and equipment are depreciated over their estimated useful lives. Where necessary, write-downs are charged on fixed assets if their impairment is expected to be permanent in order to recognize them at the lower net realizable value on the balance sheet date.

Building costs for land with residential buildings are largely amortized using the straight-line method over a period of 40 or 50 years.

Plant, furniture and fixtures are mainly depreciated over useful lives of 3 to 20 years.

Depreciation of additions to property, plant and equipment is charged pro rata temporis.

Low-value assets with an individual value not exceeding EUR 150.00 are recognized as an expense.

Low-value assets with an individual net value of between EUR 150.01 and EUR 410.00 are fully expensed in the year of acquisition with their immediate disposal being assumed.

For convenience, the collective item procedure applied for tax purposes to low-value assets with an individual net value of between EUR 150.01 and EUR 1,000.00 was also used in the statutory balance sheet in fiscal years 2008 and 2009. The collective item was depreciated by 20% in the year of acquisition and in each of the following four years.

Work in process is valued at acquisition cost.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. General bad debt allowances account for any other general risks.

Special items include investment grants which are released over the term of the related asset on a pro rata basis.

Tax provisions and other provisions account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases).

Liabilities are recorded at the settlement value.

C. Notes to the balance sheet and income statement

I. Balance sheet

Work in process includes uninvoiced operating and heating expenses of EUR 61k (EUR 55k).

As in the prior year, all receivables and other assets are due in less than one year.

The Company has cash and cash equivalents of EUR 173k (EUR 167k), of which EUR 30k (EUR 30k) is restricted and EUR 143k (EUR 137k) is freely available. Restricted cash and cash equivalents include interest for global loans of EUR 17k (EUR 18k), which is not due until after the balance sheet date.

Another EUR 13k (EUR 13k) of cash and cash equivalents is restricted since it will have to be used either to acquire new properties or repay global loans.

The development in special items is shown below:

Special item in EUR k	1 Jan 2012	Reversal	31 Dec 2012
for investment grants	15.4	0.5	14.9

The liabilities including their residual terms are listed individually in the statement of liabilities (exhibit to the notes).

Liabilities to other lenders relate to loan agreements with Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. Lehman Brothers Europe Limited i. L. and Deutsche Bank AG transferred all of the respective loan receivables to other lenders. The Company's loan liability was recognized as a liability to other lenders in the balance sheet as all of the other lenders are known to the Company.

Contingent liabilities

Together with WOBA, SÜDOST WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "SÜDOST WOBA"), WOBA HOLDING GMBH, Dresden (hereinafter also referred to as "WOBA HOLDING"), and WOHNBAU NORDWEST GMBH, Dresden (hereinafter also referred to as "WOHNBAU NORDWEST"), LGW has assumed joint liability for a loan liability due to other lenders. The loan liability originally amounted to EUR 1,201,000k but was reduced to EUR 1,042,988k as of the balance sheet date.

These contingent liabilities are not expected to result in any claims against the Company as the loan is being repaid as scheduled by the companies involved.

II. Income statement

Other taxes of EUR 13k (EUR 19k) mainly related to real estate taxes that are charged on to tenants.

D. Restatement of prior-year figures

In order to improve the clarity of presentation of the net assets in accordance with Sec. 264 (2) Sentence 1 HGB and to improve the comparability, the prior-year figures of liabilities to banks and liabilities to other lenders were restated so that the former liability to Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK, which was fully transferred to other lenders by Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK, is now recognized under liabilities to other lenders as the other lenders are known to the Company.

E. Other notes

Corporate bodies

Members of management

Mr. William Joseph Brennan (until 31 March 2012)

Chief Executive Officer and Chairman of the management board of the GAGFAH Group

Mr. Stephen Charlton

Chief Executive Officer and

Chairman of the management board of the GAGFAH Group (since 1 April 2012)

Chief Financial Officer of the GAGFAH Group (until 31 March 2012)

Mr. Stefan de Greiff (until 19 June 2012)

Chief Investment and Sales Officer of the GAGFAH Group

Mr. Nicolai Kuss

Chief Operating Officer of the GAGFAH Group

Mr. Gerald Klinck (since 5 November 2012)

Chief Financial Officer of the GAGFAH Group

Group relationships

The company which prepares the consolidated financial statements for the smallest and largest group of companies is GAGFAH S.A., 2-4, rue Beck, 1222 Luxembourg, Luxembourg. The consolidated financial statements are available from the Company's registered office in Luxembourg or at www.gagfah.com.

F. Appropriation of net income

In accordance with the domination and profit and loss transfer agreement, WOBA absorbed the net loss for the year of LGW (EUR 55,057.02).

Dresden, 25 February 2013

The Management of Liegenschaften Weißig GmbH

Charlton

Klinck

Kuss

Translation from the German language

Statement of liabilities of Liegenschaften Weißig GmbH, Dresden

Exhibit to the notes

The due dates of the liabilities and the securing liens and other rights break down as follows:

Liabilities	Total		Thereof				secured EUR	Type of collateral
	31 Dec 2012 EUR	31 Dec 2011 EUR	due in		31 Dec 2012 EUR	31 Dec 2011 EUR		
			up to one year 31 Dec 2012 EUR	one to five years 31 Dec 2011 EUR				
1. Liabilities to other lenders	4,466,586.06	(4,466,586.06)	4,466,586.06	(24,565.36)	0.00	(4,442,020.70)	4,466,586.06	Real estate liens
2. Prepayments received	67,687.76	(62,413.22)	67,687.76	(62,413.22)	0.00	(0.00)	0.00	
3. Trade payables	10,662.85	(10,553.37)	10,662.85	(10,553.37)	0.00	(0.00)	0.00	
4. Liabilities to affiliates thereof to shareholders	8,990.49 2,700.00	(10,416.59) (2,700.00)	8,990.49 2,700.00	(10,416.59) (2,700.00)	0.00 0.00	(0.00) (0.00)	0.00 0.00	
5. Other liabilities	3,588.16	(3,730.89)	3,588.16	(3,730.89)	0.00	(0.00)	0.00	
Total liabilities	4,557,515.32	(4,553,700.13)	4,557,515.32	(111,679.43)	0.00	(4,442,020.70)	4,466,586.06	

APPENDIX 9
2011 AUDITED FINANCIAL STATEMENTS OF LIEGENSCHAFTEN WEIBIG GMBH

**Liegenschaften Weißig GmbH
Dresden**

Audited financial statements

31 December 2011

Translation from the German language

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Table of Contents

- A. Auditors' report
- B. Financial statements
- C. Notes to the financial statements

The following auditor's opinion (Bestätigungsvermerk) refers to the annual financial statements prepared on the basis of German Commercial Code (HGB) („Handelsgesetzbuch“: “German Commercial Code“) of Liegenschaften Weißig GmbH for the fiscal year ended December 31, 2011 as a whole as presented in this Prospectus on the subsequent pages. The above mentioned auditor's opinion (Bestätigungsvermerk) and annual financial statements are both translations of the respective German language documents.

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system of Liegenschaften Weißig GmbH, Dresden, for the fiscal year from 1 January 2011 to 31 December 2011. The maintenance of the books and records and the preparation of the annual financial statements in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch“: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records and the annual financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting.

Eschborn/Frankfurt am Main, 23 March 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

(signed)

Völker
Wirtschaftsprüfer
[German Public Auditor]

(signed)

Helms
Wirtschaftsprüfer
[German Public Auditor]

Translation from the German language

Liegenschaften Weißig GmbH, Dresden
Balance sheet as of 31 December 2011

ASSETS	31 Dec 2011	31 Dec 2010
	EUR	EUR
A. FIXED ASSETS		
Property, plant and equipment		
1. Land and land rights with residential buildings	2,981,551.61	3,036,751.79
2. Land and land rights without buildings	10,002.00	10,002.00
3. Other equipment, furniture and fixtures	931.02	1,074.26
	<u>2,992,484.63</u>	<u>3,047,828.05</u>
B. CURRENT ASSETS		
I. Land held for sale and other inventories		
Work in process	54,979.77	50,114.70
II. Receivables and other assets		
1. Rent receivables	1,324.85	1,835.74
2. Receivables from affiliates	84.30	2,487.92
3. Receivables from shareholders	1,588,652.00	1,562,189.72
4. Other assets	476.43	8,494.17
	<u>1,590,537.58</u>	<u>1,575,007.55</u>
III. Cash on hand and bank balances	166,748.23	173,869.52
	<u>1,812,265.58</u>	<u>1,798,991.77</u>
Total assets	<u>4,804,750.21</u>	<u>4,846,819.82</u>
Trust assets	32,662.00	70,242.21
<hr/>		
EQUITY AND LIABILITIES	31 Dec 2011	31 Dec 2010
	EUR	EUR
A. EQUITY		
I. Subscribed capital	25,700.00	25,700.00
II. Capital reserves	200,000.00	200,000.00
	<u>225,700.00</u>	<u>225,700.00</u>
B. SPECIAL ITEMS		
Special items for investment grants	15,403.48	15,934.70
C. PROVISIONS		
1. Tax provisions	104.42	27.94
2. Other provisions	9,842.18	53,469.35
	<u>9,946.60</u>	<u>53,497.29</u>
D. LIABILITIES		
1. Liabilities to banks	4,466,586.06	4,466,586.06
2. Prepayments received	62,413.22	59,841.07
3. Rent liabilities	3,730.89	10,870.79
4. Trade payables	10,553.37	10,553.37
5. Liabilities to affiliates	7,716.59	1,136.54
6. Liabilities to shareholders	2,700.00	2,700.00
	<u>4,553,700.13</u>	<u>4,551,687.83</u>
Total equity and liabilities	<u>4,804,750.21</u>	<u>4,846,819.82</u>
Trust liabilities	32,662.00	70,242.21

Translation from the German language

Liegenschaften Weißig GmbH, Dresden
Income statement for the period from 1 January to 31 December 2011

	2011 EUR	2010 EUR
1. Revenue from real estate management	317,637.43	308,619.14
2. Increase/decrease in work in process	4,865.07	-3,887.85
3. Other operating income	23,953.33	15,788.95
4. Expenses for real estate management	196,944.59	139,416.98
5. Amortization, depreciation and write-downs of property, plant and equipment	55,343.42	55,838.77
6. Other operating expenses	18,789.30	42,192.90
7. Other interest and similar income thereof from affiliates: EUR 65,366.64 (prior year: EUR 53,979.04)	66,110.90	54,765.29
8. Interest and similar expenses	194,931.84	194,948.88
9. Result from ordinary activities	<u>-53,442.42</u>	<u>-57,112.00</u>
10. Income taxes	-40.82	-41.19
11. Other taxes	19,385.55	11,421.46
12. Result before compensation payment and loss absorption	<u>-72,787.15</u>	<u>-68,492.27</u>
13. Compensation paid to minority shareholders	2,700.00	2,700.00
14. Income from loss absorption	<u>75,487.15</u>	<u>71,192.27</u>
15. Net income/net loss for the year	<u>0.00</u>	<u>0.00</u>

Notes to the financial statements

for fiscal year 2011 of
Liegenschaften Weißig GmbH, Dresden

A. General

The financial statements of Liegenschaften Weißig GmbH, Dresden (hereinafter also referred to as "LGW"), were prepared in accordance with Sec. 242 et seq. and Sec. 264 et seq. HGB ["Handelsgesetzbuch": German Commercial Code] as well as in accordance with the relevant provisions of the GmbHG ["Gesetz betreffend die Gesellschaften mit beschränkter Haftung": German Limited Liability Companies Act]. The Company is subject to the requirements for small corporations.

The Company classifies its balance sheet and income statement in accordance with the regulations on prescribed forms for the classification of the annual financial statements of housing companies in the version dated 25 May 2009.

The fiscal year is the calendar year. Prior-year figures are in parentheses.

The shareholders of LGW are WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "WOBA"), with a share of 94.75% and Opera Co.-Acquisition GmbH & Co. KG, Dresden, with 5.25%.

On 30 October 2006, LGW concluded a domination and profit and loss transfer agreement with WOBA. The agreement was entered in the commercial register on 29 November 2006 and took retroactive effect as of 1 January 2006.

B. Accounting and valuation methods

The following accounting and valuation methods, which essentially remained unchanged in comparison to the prior year, were used to prepare the financial statements.

Property, plant and equipment are recognized at acquisition or production cost and are depreciated if they have a limited life. Property, plant and equipment are depreciated over their estimated useful lives. Where necessary, write-downs are charged on fixed assets if their impairment is expected to be permanent in order to recognize them at the lower net realizable value on the balance sheet date.

Building costs for land with residential buildings are largely amortized using the straight-line method over a period of 40 or 50 years.

Other equipment, furniture and fixtures are mainly depreciated over useful lives of 3 to 20 years.

Depreciation of additions to property, plant and equipment is charged pro rata temporis.

Low-value assets with an individual value not exceeding EUR 150.00 are recognized in operating expenses.

Low-value assets with a net value of between EUR 150.01 and EUR 410.00 are fully expensed in the year of acquisition with their immediate disposal being assumed.

In fiscal years 2008 and 2009, low-value assets with a net value of between EUR 150.01 and EUR 1,000.00 were recognized in a collective item and depreciated over five years.

Work in process is valued at acquisition cost.

Receivables and other assets are stated at their nominal value. Specific bad debt allowances provide for all foreseeable valuation risks. The general credit risk is provided for by a general bad debt allowance.

Special items include investment grants which are released over the term of the related asset on a pro rata basis.

Tax provisions and other provisions account for all uncertain liabilities and potential losses from pending transactions. They are recognized at the settlement value deemed necessary according to prudent business judgment (i.e., including future cost and price increases).

Liabilities are recorded at the settlement value.

C. Notes to the balance sheet and income statement

I. Balance sheet

Work in process includes uninvoiced operating and heating expenses of EUR 55k (EUR 50k).

As in the prior year, all receivables and other assets are due in less than one year.

The development in special items is shown below:

Special items in EUR k	1 Jan 2011	Release	31 Dec 2011
Special item for investment grants	16.0	0.6	15.4

The liabilities including their residual terms are listed individually in the statement of liabilities (exhibit to the notes). Liabilities to banks relate to loan agreements with Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. Lehman Brothers Europe Limited i. L. and Deutsche Bank AG syndicated all or part of the respective loan receivable to other lenders. As not all of the other lenders are known to the Company, the balance sheet item remains unchanged.

Contingent liabilities and other risks

Together with WOBA, SÜDOST WOBA DRESDEN GMBH, Dresden (hereinafter also referred to as "SÜDOST WOBA"), WOBA HOLDING GMBH, Dresden (hereinafter also referred to as "WOBA HOLDING"), and WOHNBAU NORDWEST GMBH, Dresden (hereinafter also referred to as "WOHNBAU NORDWEST"), LGW has assumed joint liability for a loan liability due to Lehman Brothers Europe Limited i. L. and Deutsche Bank AG, London, UK. The loan originally amounted to EUR 1,201,000k but was reduced to EUR 1,081,430k as of the balance sheet date.

These contingent liabilities are not expected to result in any claims against the Company as the loan is being repaid as scheduled by the companies involved.

Under the privatization agreement for the WOBA subgroup from 2006, the Company and other companies of the WOBA subgroup are obliged to the city of Dresden, capital of the Free State of Saxony, to comply with various conditions. The conditions relate particularly to specific obligations regarding the protection of certain employees of the WOBA subgroup, rent increases, termination of rental agreements and sale of properties belonging to the WOBA subgroup.

On 31 March 2011, the city of Dresden brought an action against WOBA HOLDING before an arbitration court. It also brought actions against SÜDOST WOBA and WOHNBAU NORDWEST before the Regional Court of Dresden, claiming payment of contractual penalties totaling EUR 1.08b for alleged breaches of social protection provisions under the privatization agreement for the WOBA subgroup from 2006. The WOBA companies believed that the obligations under the privatization agreement were being complied with in full. The WOBA companies therefore defended the entire action and filed for dismissal of the lawsuit. Furthermore, they filed a declaratory counterclaim against the city of Dresden. WOBA filed a declaratory action in this regard against the city's Finance Mayor, Hartmut Vorjohann, as well as against the city of Dresden.

In the interests of a timely resolution of the disputes and to maintain good relations and cooperation, the WOBA companies, including LGW, and the administration of the city of Dresden have now reached an amicable settlement of all disputes. The settlement agreement became effective on 22 March 2012. The settlement agreement provides for several amendments to the social protection provisions of the privatization agreement. Most of these social protection provisions will be extended by five years until April 2021. The annual minimum repair and maintenance investments for the apartments of the WOBA companies will be raised from EUR 5.00 per square meter to EUR 7.56 per square meter (net). The city's occupancy rights will be raised by 2,000 residential units to 10,000 residential units. LGW did not assume any payment obligation.

Trust assets and trust liabilities

Rent deposits are kept in trust accounts held at Aareal Bank AG. Bank balances for these rent deposits amount to EUR 33k (EUR 70k).

II. Income statement

Other taxes of EUR 19k (EUR 11k) mainly relate to real estate taxes that are charged on to tenants and VAT backpayments for prior years.

D. Other notes

Corporate bodies

Members of management

Mr. William Joseph Brennan

Chief Executive Officer and Chairman of the management board of the GAGFAH Group

Mr. Stefan de Greiff

Chief Investment and Sales Officer of the GAGFAH Group

Mr. Nicolai Kuss

Chief Operating Officer of the GAGFAH Group

Mr. Stephen Charlton (since 21 January 2011)

Chief Financial Officer of the GAGFAH Group

Group relationships

The Company which prepares the consolidated financial statements for the smallest and largest group of companies is GAGFAH S.A., 2-4, rue Beck, 1222 Luxembourg, Luxembourg. The consolidated financial statements are available from the Company's registered office in Luxembourg or at www.gagfah.com.

E. Appropriation of the net loss for the year

In accordance with the domination and profit and loss transfer agreement, WOBA absorbed the net loss for the year of LGW (EUR 75,487.15).

Dresden, 23 March 2012

The Management of Liegenschaften Weißig GmbH

Brennan

Charlton

de Greiff

Kuss

Statement of liabilities of Liegenschaften Weißig GmbH, Dresden

The due dates of the liabilities and the securing liens and other rights break down as follows:

Liabilities	Total		Thereof				secured EUR	Type of collateral
	31 Dec 2011 EUR	31 Dec 2010 EUR	due in		31 Dec 2011 EUR	31 Dec 2010 EUR		
			up to one year 31 Dec 2011 EUR	31 Dec 2010 EUR				
1. Liabilities to banks	4,466,586.06	(4,466,586.06)	24,565.36	(24,565.36)	4,442,020.70	(4,442,020.70)	4,466,586.06	Real estate liens
2. Prepayments received	62,413.22	(59,841.07)	62,413.22	(59,841.07)	0.00	(0.00)	0.00	
3. Rent liabilities	3,730.89	(10,870.79)	3,730.89	(10,870.79)	0.00	(0.00)	0.00	
4. Trade payables	10,553.37	(10,553.37)	10,553.37	(10,553.37)	0.00	(0.00)	0.00	
5. Liabilities to affiliates	7,716.59	(1,136.54)	7,716.59	(1,136.54)	0.00	(0.00)	0.00	
6. Liabilities to shareholders	2,700.00	(2,700.00)	2,700.00	(2,700.00)	0.00	(0.00)	0.00	
Total liabilities	4,553,700.13	(4,551,687.83)	111,679.43	(109,667.13)	4,442,020.70	(4,442,020.70)	4,466,586.06	

INDEX OF DEFINED TERMS

€ vii	CMBS.....50
Aareal..... 130	CMSA E-IRP Loan Periodic Update File177
Account..... 130	CMSA E-IRP Loan Set-up File176
Account Bank..... 144	CMSA E-IRP Property File177
Account Bank..... 130	CMSA E-IRP Servicer Watchlist Criteria and Servicer Watchlist File.....177
Account Pledge Agreement..... 131	CMSA European Investor Reporting Package177
Account Pledges 131	CMSA-E-IRP 177
Accrued Interest..... 246	Code..... 132
Acquisition Agreement..... 131	Collateral Custody Account..... 145
Ad Hoc Review..... 172	Collection Accounts..... 132
Additional Interest 16, 207	Common Depository vi, 192, 232
Additional Subordinated Creditor 131	Common Safekeeper vi, 201
Affiliate 222	Condition..... 199
Agency Agreement5, 199, 231	Conditions 199
Agent Bank5, 199, 231	control..... 222
Agents8, 199, 231	Control Account 132
Allocated Loan Amount 131	Control Accounts 144
Amortisation Funds..... 152	Control Valuation Event179, 228
ANIB 74	controlled..... 222
Article 122a.....viii	controlling 222
Asset Status Report..... 172	Controlling Class..... 179, 228
Assigned Land Charges 62	Controlling Class Test..... 179, 228
Assignment Agreement 131	Corrected Loan..... 171
Assignment Deed..... 131	CRA Regulation iii
Authorised Denomination..... 187	CRA Regulations iii
B&O 102	CRD 2iv
BaFin 57	Credit Rating Agencies 132
BaFin Circular..... 57	Credit Support Annex 169
Basic Terms Modification 222	Cure Payment 132
BBB- 167	Cure Payment Account 132
BGB..... 107	Cut-Off Date.....23
BofAML.....viii	DAC Exchange Event 193
Book Entry Interests 186, 192	DAC Exit Payment Amount ... 15, 152, 211, 235
Borrower Group..... 222	DAC Final Payment Date23
Borrowers..... 131	DACs ii, 13
Borrower's Bank Accounts 144	DACs Condition.....231
Break Costs 132	DACs Conditions231
Breakage Gain Amounts..... 25, 151	DACs Late Payment Interest Rate..... 14, 235
Budget 132	DACs LPI Amount..... 14, 235
business day 214	DACs Payment Amount 13, 234, 235
Business Day.....24, 132, 209	DACs Payments 13
Cash Management Agreement 4	DACS Payments.....234
Cash Management Services..... 146	DBRS..... iii, 132
Cash Trap Event..... 132	DBRS Compliant Guarantee.....167
Certification 187	DBRS Swap Criteria 167
Charged Property 18	DCF 13, 14, 234, 235
CIT 72	Default 132
Class 199	Deferred Interest..... 16, 207
Class A Noteholders 199	Deferred Note Extension Amount 16
Class A Notes..... 199	Deferred Note Extension Amounts..... 210
Class B Noteholders..... 199	Definitive Deferred Arrangement Fee Certificates193, 232
Class B Notes..... 199	Determination Date24, 151
Class C Noteholders..... 199	Disenfranchised Holder22, 222
Class C Notes..... 199	Distribution Compliance Period249
Class D Noteholders 199	Dresden Social Charta..... 141
Class D Notes..... 199	
Clearstream, Luxembourg vi, 192	
Closing Date..... ii, 23, 199, 231	

DSCR	132	Global Deferred Arrangement Fee Certificate vi,	
DSCR Test	133	192, 232	
DSCR Test Date.....	133	Global Note	201
DTT	245	Global Notes.....	vi, 201
Duty of Care Agreement.....	133	GmbH	60
ECB	186	Group	135
Eligible Institution	149	Guarantor.....	135
Environmental Report.....	133	Guarantors	135
EU Savings Directive	76, 246	Hedge Break Gain.....	135
EURIBOR	133, 134, 208	Hedge Break Gains	119
EURIBOR Screen Rate.....	208	HMRC	242
Euro	vii	Holdco	79
Euroclear	vi, 192, 201, 232	Holdings Share Declaration of Trust.....	79
Eurosystem.....	186	IDR	31, 166
Exchange Date	187, 201	IFRS.....	135
Exchange Event	188	Immo Service	136
Exit Fee	15, 133, 211, 235	Incorporated Terms Memorandum.....	200, 231
Exit Payment Amount.....	15, 152, 211	Indirect Participants	187, 192
Expected Maturity Date.....	23	Initial DBRS Rating Event	31, 167
Expenses and Interest Drawing	162	Initial Fitch Downgrade Event.....	166
Expenses and Interest Shortfall	161	Initial Loan Extension Amount.....	14
Extension Fee.....	133	Initial Note Extension Amount	14, 210
Extension Ledger	14	Initiating DACs holder.....	22, 239
Extension Margin.....	133	Initiating Noteholder	22, 228
Extension Request.....	163	Insolvency Act	53
Extraordinary Resolution.....	200	Insolvency Code.....	58
F3.....	167	Insolvency Proceedings	218, 237
Facility Agreement	ii	Insolvency Regulations	206
FATCA.....	77, 134	Interest Amount.....	209
FATCA Deduction.....	134	Interest Rate Determination Date	12, 24, 207
FFI	77	Interest Rate Mismatch	40
Final Discharge Date	218, 237	Interest Rate Swap Agreement	5, 165
Final Maturity Date.....	23	Interest Rate Swap Transaction	136
Final Recovery Determination	176	Investment Company Act	252
Final Repayment Date	134, 185	Irish Stock Exchange	209
Finance Costs	134	ISD.....	102
Finance Document	134	Issuer	i, ii, 199, 231
Finance Parties	7	Issuer Account Bank Agreement.....	4
Finance Party	134	Issuer Bank Accounts.....	145
Financial Indebtedness.....	135	Issuer Cash Manager Quarterly Report	149
First Threshold DBRS Compliant Entity	167	Issuer Corporate Services Agreement	7, 78
First Utilisation Date.....	135	Issuer Deed of Charge.....	6, 199, 231
Fitch.....	iii, 132	Issuer German Security Agreement..	6, 199, 231
Fitch Downgrade Remedial Actions	167	Issuer Profit Amount	154
Fixed Rate	135	Issuer Related Parties	8
Fixed Rate Loan.....	135	Issuer Related Party	8
Fixed Rate Margin	135	Issuer Secured Creditors	203, 233
Fixed Rate Payer Amount.....	165	Issuer Security	6, 11, 115, 204, 233
Floating Rate Amount.....	165	Issuer Security Documents	199, 231
Floating Rate Loan.....	135	Issuer Security Trustee.....	199, 203, 231, 233
Floating Rate Margin	135	Issuer Transaction Account.....	145
FPO	i	Issuer Transaction Documents.....	255
FSMA	249	Junior Securitisation Take-Out Fee	26
Further Loan Extension Amount	14	LBSF	42
Further Note Extension Amount	14, 210	Legal and Corporate Due Diligence Report ..	136
GAAP.....	135	Legal Reservations	136
GAGFAH M	103	Lender.....	136
German Paying Agent.....	245	Lender Appraisal	136
German VAT Act.....	73	Lender Swap Transaction	136
Germany	ii	LF Required Ratings	26, 31, 162

Liquidation Date	147	Original Facility Date.....	ii
Liquidation Event	176	Original Lender	138
Liquidation Fee	175	Original Liquidity Commitment	161
Liquidation Proceeds	51, 175	Over-the-counter Transactions	247
Liquidity Commitment	161	Parallel Obligations.....	138
Liquidity Drawing.....	162	Parent.....	138
Liquidity Facility	iii	Participants	187, 192
Liquidity Facility Agreement	5	Participating FFI.....	77
Liquidity Facility Event of Default	162	Paying Agents	5, 199, 231
Liquidity Subordinated Amounts	162	PE	74
Loan.....	136	Permanent Global Note.....	vi, 201
Loan Event of Default	56, 129, 136	Permitted Investments.....	147
Loan Final Date.....	12, 208	Portfolio.....	ii, 94, 138
Loan Interest Accrual Period.....	24, 176	Post-Enforcement Priority of Payments	158
Loan Interest Payment Date	136	Pre-Enforcement Loan Repayment Failure	
Loan Interest Period.....	136	Priority of Payments.....	156
Loan Maturity Date.....	55	Pre-Enforcement Principal Priority of Payments	
Loan Payment Date.....	24	155
Loan Prepayment	15, 152, 211	Pre-Enforcement Priorities of Payment.....	155
Loan Priority of Payments	128	Pre-Enforcement Revenue Priority of Payments	
Loan Repayment Failure Event	153	153
Loan to Value.....	136	Principal Amount Outstanding	213
Loans	136	Principal Paying Agent	199, 231
LTM NOI	137	Principal Receipts.....	152
LTV Test.....	137	Priorities of Payment.....	158
LTV Test Date	137	Projected NOI.....	138
Maintenance Agreement.....	103	Properties.....	ii
Majority Lenders.....	137	Property	ii
Management Agreement.....	137	Property Protection Advance	161, 174
Management Service Agreement	102	Property Protection Drawing	162
Managing Agent	137	Property Protection Shortfall	161, 162
Managing Agent Intragroup	137	Prospectus.....	i, iii
Mandatory Cost.....	137	Prospectus Directive	iii
Material Adverse Effect.....	137	Prospectus Regulations	250
model IGA.....	77	Purchaser	252
Modelling Assumptions.....	185	Qualifying Lender	138
Moody's.....	132, 145	Quotation Day	138
Most Senior Class of Notes	16, 207	R&M Reserve Account.....	138
Negative Consent	223	Rate of Interest	12, 207
New Land Charge	62	Rates of Interest.....	12, 207
NGN	186	rating.....	227
NOI.....	138	Rating Agencies	iii, 227
Note Acceleration Notice	18, 216	Rating Agency.....	iii
Note Event of Default	216	Rating Agency Confirmation.....	23, 222
Note Extension Amount	14, 210	ratings	227
Note Factor.....	212	Ratings Confirmation.....	44
Note Interest Period	207	Record Date.....	194, 214
Note Maturity Plan.....	18, 46	Recovery Claim.....	138
Note Payment Date	23, 206	Reference Bank Rate.....	138
Note Trust Deed.....	5, 199, 231	Reference Banks.....	139, 208, 210
Note Trustee	199, 231	Registrar	192, 231
Noteholder.....	199	Regular Interest	12, 208
Noteholders	ii, 199	Regulatory Information Service	172
Notes	ii, 199, 202, 232	Release Agreement	139
Obligor	138	Release Amount	139
Obligors' Agent.....	138	Relevant Amount	161
Obligor's Agent's Bank Account	144	relevant date	216, 237
Obligor's Bank Accounts	144	Relevant Implementation Date	249
Operating Advisor.....	180, 228	Relevant Margin.....	208
Ordinary Resolution.....	200	Relevant Member State.....	249

Relevant Principal Receipts.....	161	Subsequent DBRS Rating Event	31, 168
Repayment Date.....	139	Subsequent Fitch Rating Event.....	31, 167
Repayment Instalment	185	SÜDOST WOBA	141
Replacement Swap Premium.....	159	Supplemental Budget	141
Reporting FFI.....	77	Surplus Cash.....	141
Reports	139	Swap Collateral	169
Requisite Rating.....	139	Swap Collateral Available Amounts	153
Restitution Act	69	Swap Collateral Cash Account	145, 169
Restitution Event.....	140	Swap Collateral Custody Account.....	169
RETT	73	Swap Collateral Excluded Amounts.....	153
Revenue Receipts.....	151	Swap Confirmation	165
S&P	132, 145	Swap Counterparty Default	166
Sales Basket	140	Swap Counterparty Downgrade Event	166
Screen Rate	140	Swap Counterparty Fitch Required Rating.....	31, 166
SDRT.....	242	Swap Criteria for European Structured Finance Transactions	167
SEC	vi	Swap Notional Amount.....	165
Second Threshold DBRS Compliant Entity..	168	Swap Subordinated Amount	166
Second Utilisation Date	140	Swap Tax Credits	159
Secured Obligations.....	140	Swap Termination Payment.....	40
Securities Act	i, 249, 252	Swap Transaction	165
Security	140	Talons	201
Security Assignment Agreement.....	140	TARGET Day	24, 142
Security Documents.....	131	TARGET2	24, 142
Security Purpose Agreement	140	Tax Deduction.....	142
Security Trust Agreement.....	140	Tax Memorandum.....	142
Senior Securitisation Take-Out Fee	14	Technical Report	142
Senior Shortfall	14	Temporary Global Note	201
Sequential Payment Trigger	155	Third Party Payment	174
Service Charge Expenses.....	140	Transaction Account	142
Service Charge Proceeds	141	Transaction Document.....	142
Servicer	170	Transaction Security	142
Servicer Quarterly Report.....	177	Transfer Certificate	142
Servicer Termination Event.....	178	Treaty.....	142
Servicing Agreement	4	Treaty Lender	142
Servicing Entities	4	Treaty State	142
Servicing Fee	175	TSC Regulations	75
Servicing Standard.....	170	TT	72
Settlement Agreement	141	US-UK IGA.....	77
Share Trustee	79	Utilisation	142
Shareholder	141	Utilisation Date	143
Shares Pledge	141	Utilisation Request.....	143
Shortfall.....	13, 14, 162, 234, 235	Valuation Date	94
Social Charta.....	141	Valuation Reduction Amount	179, 229
Special Servicer	170	Valuer	143
Special Servicer Termination Event.....	178	VAT.....	143
Special Servicer Transfer Event	171	Verified DACs holder.....	22, 239
Special Servicing Agreement	4	Verified Noteholder	22, 227
Special Servicing Fee	175	VHB.....	102
Specially Serviced Loan	171	WOBA DRESDEN	143
Stand-by Account	145	WOBA Group	3
Stand-by Drawing	163	Workout Fee.....	176
Stand-by Event.....	163	Written Extraordinary Resolution.....	20
Striesen KG.....	141	Written Ordinary Resolution	20
Subordinated Creditor.....	141	ZVG.....	109
Subordinated Creditor Accession Agreement	141	Zwickau Social Charta.....	141
Subordination Agreement.....	141		
Subscription Agreement	viii		

THE ISSUER

Taurus 2013 (GMF1) plc

35 Great St. Helen's
London EC3A 6AP

**THE ACCOUNT BANK, THE PRINCIPAL PAYING AGENT,
THE AGENT BANK, THE ISSUER CASH MANAGER**

Elavon Financial Services Limited, London Branch

125 Old Broad Street
London EC2N 1AR

THE SERVICER AND THE SPECIAL SERVICER

Situs Asset Management Limited

27/28 Eastcastle Street
London W1W 8DH

THE ISSUER SECURITY TRUSTEE AND THE NOTE TRUSTEE

U.S. Bank Trustees Limited

125 Old Broad Street
London EC2N 1AR

**THE LIQUIDITY FACILITY PROVIDER AND
INTEREST RATE SWAP COUNTERPARTY**

HSBC Bank plc

8 Canada Square
London E14 5HQ

LEGAL ADVISORS

**To the Arranger
as to English Law**

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

**To the Note Trustee and the Issuer Security
Trustee as to English Law**

K&L Gates LLP
One New Change
London EC4M 9AF

LISTING AGENT

Arthur Cox Listing Services Limited

Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland