

## **IMPORTANT NOTICE**

**IMPORTANT: You must read the following disclaimer before continuing.** The following disclaimer applies to the attached Offering Circular accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer page carefully before reading, accessing or making any other use of the attached Offering Circular. In accessing the attached Offering Circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

**Confirmation of Your Representation:** You have been sent the attached Offering Circular on the basis that you have confirmed to Morgan Stanley & Co. International Limited (the "**Manager**"), being the sender of the attached Offering Circular, that:

- (i) you consent to delivery of the attached Offering Circular by electronic transmission;
- (ii) you are a prospective purchaser of the notes referred to in the attached Offering Circular (the "**Notes**") or you are a person authorised by the Financial Services and Markets Act 2000 or the Manager to receive the attached Offering Circular;
- (iii) you will not transmit the attached Offering Circular (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the consent of the Manager;
- (iv) you and any customers you represent are a non-U.S. person (as defined in Regulation S under the Securities Act of 1933, as amended (the "**Securities Act**")); and
- (v) acceptance by you and any customer you represent of this e-mail and accessing the attached Offering Circular is not unlawful in the jurisdiction where it is being sent to you and any customers you represent.

The attached Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Manager nor any person who controls it nor any of its respective directors, officers, employees or agents, nor any of its affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from the Manager.

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

**Restrictions:** Nothing on this electronic transmission constitutes an offer of securities for sale in the United States or any other jurisdiction. Any securities to be issued will not be registered under the Securities Act and may not be offered or sold in the United States or to or for the account or benefit of U.S. persons (as such terms are defined in Regulation S under the Securities Act).

In the United Kingdom the attached Offering Circular is directed only at persons who (a) have professional experience in matters relating to investments or (b) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc") of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (all such persons together being referred to as "relevant persons"). The attached Offering Circular must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the attached Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons.

**Fordgate Commercial Securitisation No. 1 plc**  
(Incorporated with limited liability in England and Wales with registration number 5937113)

**£240,275,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2016**  
**£24,027,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2016**

Fordgate Commercial Securitisation No. 1 plc (the "**Issuer**") will issue the £240,275,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2016 (the "**Class A Notes**") and the £24,027,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2016 (the "**Class B Notes**" and, together with the Class A Notes, the "**Notes**") on 20 October 2006 (or such later date as the Issuer may agree with the Lead Manager (as defined below)) (the "**Closing Date**"). Application has been made to the Irish Financial Services Regulatory Authority ("**IFRSRA**"), as competent authority under Directive 2003/71/EC (the "**Prospectus Directive**") for the Offering Circular to be approved. Application has been made to the Irish Stock Exchange Limited (the "**Stock Exchange**") for the Notes to be admitted to the Official List and trading on its regulated market. This document constitutes the prospectus (the "**Prospectus**") for the purposes of the Prospectus Directive. Reference throughout the document to "Offering Circular" shall be taken to read "Prospectus".

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

Interest on the Notes will be payable quarterly in arrear in pounds sterling on 23 January, 23 April, 23 July and 23 October in each year (subject to adjustment for non-business days) (each, an "**Note Interest Payment Date**"). The first Note Interest Payment Date will be the Note Interest Payment Date falling in January 2007. The interest rate applicable to each Class of Notes from time to time will be determined by reference to the London interbank offered rate for three month sterling deposits ("**LIBOR**", as determined in accordance with Condition 5.3) plus a margin of 0.20 per cent. in the case of the Class A Notes and a margin of 0.30 per cent. in the case of the Class B Notes (each, a "**Margin**").

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

All Notes will be secured by the same security, subject to the priorities described in this Offering Circular. Notes of each Class will rank *pari passu* with other Notes of the same Class. Unless previously redeemed in full, the Notes of each Class will mature on the Note Interest Payment Date falling in October 2016 (the "**Final Maturity Date**"). The Notes will be subject to mandatory redemption before such date in the specific circumstances and subject to the conditions more fully set out under "Terms and Conditions of the Notes". The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and are subject to U.S. tax law requirements. The Notes are being offered by the Issuer only to persons who are not U.S. Persons (as defined in Regulation S under the Securities Act ("**Regulation S**")) in offshore transactions in reliance on Regulation S (or otherwise pursuant to transactions exempt from the registration requirements of the Securities Act) and in accordance with applicable laws.

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

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

**MORGAN STANLEY**  
Lead Manager

The date of this Offering Circular is 17 October 2006

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

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

Each person receiving this Offering Circular 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 or to supplement the information herein, (b) such person has not relied on the Lead Manager or any person affiliated with the Lead Manager 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 Offering Circular 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. The Lead Manager expressly does not undertake to review the Issuer/Borrower Loan, the Intra-Group Loans or the Properties during the life of the Notes or to advise any investor in the Notes of any information coming to its attention.

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

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

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

The Issuer is a company incorporated with limited liability under the laws of England and Wales and its executive offices and administrative activities and all or a substantial portion of its assets are located outside the United States. As a result, it may not be possible for investors to effect service of process upon the Issuer within the United States or to enforce against the Issuer in United States courts judgments predicated upon the civil liability provisions of the securities laws of the United States. In addition, all of its directors and officers are residents of jurisdictions other than the United States and all or a substantial portion of the assets of these persons are or may be located outside the United States. As a result it may be difficult for investors to effect service of process within the United States upon these persons or to enforce

against them judgments obtained in the United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or other jurisdiction within the United States.

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

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

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## SUMMARY INFORMATION

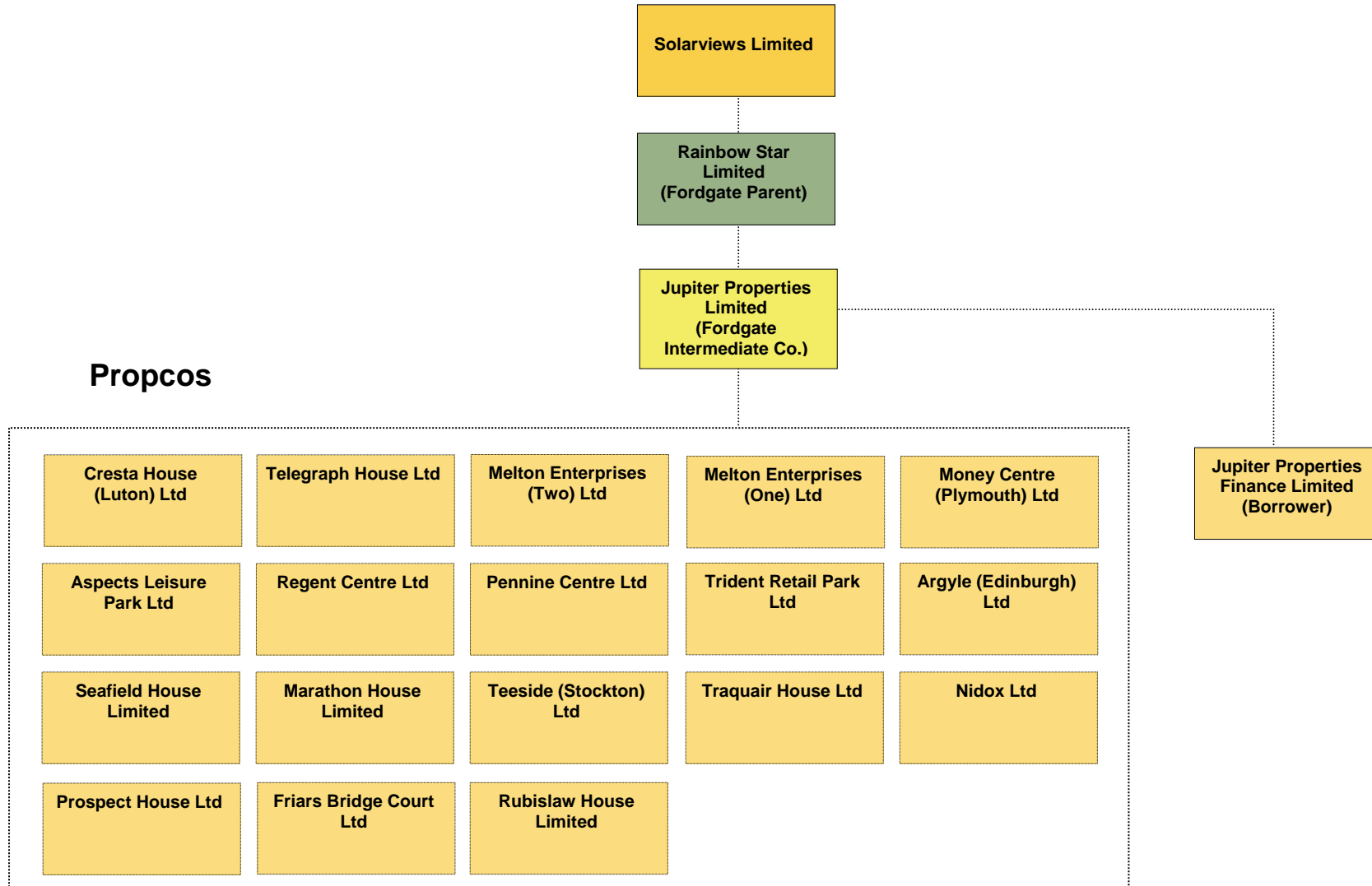
*The information in this section does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Offering Circular. Prospective Noteholders are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Offering Circular in making any decision whether or not to invest in any Notes. Capitalised terms used, but not defined, in this section can be found elsewhere in this Offering Circular, unless otherwise stated. An index of defined terms is set out at the end of this Offering Circular.*

<b>Issuer:</b>	Fordgate Commercial Securitisation No. 1 plc
<b>Borrower:</b>	Jupiter Properties Finance Limited
<b>Fordgate Intermediate Co.</b>	Jupiter Properties Limited
<b>Fordgate Parent:</b>	Rainbow Star Limited
<b>Propcos:</b>	Friars Bridge Court Limited, Regent Centre Limited, Pennine Centre Limited, Nidox Limited, Trident Retail Park Limited, Melton Enterprises (One) Limited, Melton Enterprises (Two) Limited, Aspects Leisure Park Limited, Teeside (Stockton) Limited, Money Centre (Plymouth) Limited, Cresta House (Luton) Limited, Telegraph House Limited, Argyle (Edinburgh) Limited, Seafield House Limited, Marathon House Limited, Rubislaw House Limited, Traquair House Limited and Prospect House Limited.
<b>Share Mortgagors:</b>	Fordgate Parent and Fordgate Intermediate Co.
<b>Obligors:</b>	The Borrower and each Propco
<b>Note Trustee:</b>	HSBC Trustee (C.I.) Limited
<b>Borrower Security Trustee:</b>	Morgan Stanley Mortgage Servicing Limited
<b>Liquidity Facility Provider:</b>	Lloyds TSB Bank plc
<b>Cash Manager:</b>	HSBC Bank plc
<b>Calculation and Reporting Agent:</b>	Wells Fargo Securitisation Services Limited
<b>Account Bank:</b>	HSBC Bank plc
<b>Swap Counterparty:</b>	Morgan Stanley & Co. International Limited
<b>Swap Guarantor:</b>	Morgan Stanley

<b>Corporate Services Provider:</b>	Structured Finance Management Limited
<b>Share Trustee:</b>	SFM Corporate Services Limited
<b>Share Nominee</b>	SFM Nominees Limited
<b>Servicer:</b>	Morgan Stanley Mortgage Servicing Limited
<b>Special Servicer:</b>	Morgan Stanley Mortgage Servicing Limited
<b>Properties:</b>	A portfolio of 22 commercial properties as further described in " <i>Key characteristics of the Properties</i> ", below

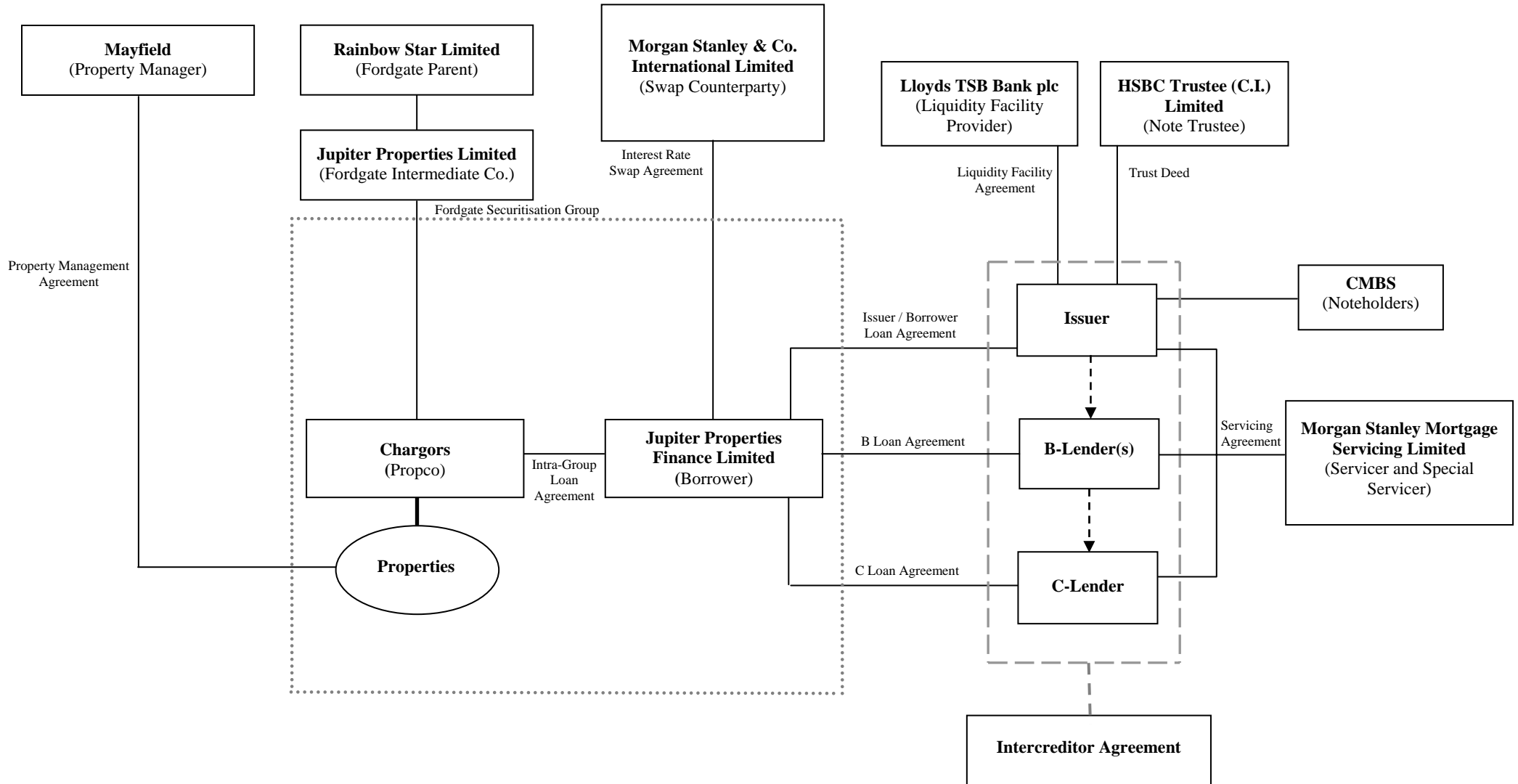
	<b>Class A Notes:</b>	<b>Class B Notes:</b>	
<b>Principal Amount:</b>	£240,275,000	£24,027,000	
<b>Issue Price:</b>	100 per cent.	100 per cent.	
<b>Interest Rate:</b>	Three month sterling LIBOR + Margin		
<b>Margin:</b>	0.20 per cent.	0.30 per cent.	
<b>Interest Accrual Method:</b>	Actual/365		
<b>Note Interest Payment Dates:</b>	23 January, 23 April, 23 July and 23 October in each year, commencing with the Note Interest Payment Date falling in January 2007		
<b>Final Maturity Date:</b>	Note Interest Payment Date falling in October 2016		
<b>Expected Maturity Date:</b>	Note Interest Payment Date falling in October 2013		
<b>Expected Average Life:</b>	7 years	7 years	
<b>Application for Listing:</b>	Irish Stock Exchange		
<b>ISIN:</b>	XS0271600180	XS0271605148	
<b>Common Code:</b>	027160018	027160514	
<b>Expected Ratings:</b>	S&P Fitch	AAA AAA	AA AA

**DIAGRAM OF OWNERSHIP STRUCTURE OF  
THE BORROWER GROUP COMPANIES AND PROPERTY OWNING COMPANIES**





# TRANSACTION STRUCTURE DIAGRAM



## TRANSACTION SUMMARY

*The information in this section does not purport to be complete and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Offering Circular. Prospective Noteholders are advised to read carefully, and to rely solely on, the detailed information appearing elsewhere in this Offering Circular in making any decision whether or not to invest in any Notes. Capitalised terms used, but not defined, in this section can be found elsewhere in this Offering Circular, unless otherwise stated. An index of defined terms is set out at the end of this Offering Circular.*

- The Issuer will use the proceeds of the issue of the Notes to make an advance in two tranches (in aggregate, the "**Issuer/Borrower Loan**") to the Borrower pursuant to a loan agreement entered into on or about the Closing Date between, *inter alios*, the Issuer, the Borrower, the Propcos, the Servicer and the Borrower Security Trustee (the "**Issuer/Borrower Loan Agreement**").
- The Borrower will utilise the amount advanced under the Issuer/Borrower Loan Agreement to make an advance to the Propcos pursuant to the terms of an intra-group loan agreement entered into on or about the Closing Date between the Borrower, the Propcos and the Borrower Security Trustee (the "**Intra-Group Loan Agreement**"). The amount drawn under the Intra-Group Loan Agreement will be used by the Propcos to finance or refinance the cost of acquisition of the Properties, following which any remaining surplus funds may be on-lent or otherwise distributed to an entity in the Fordgate Group in accordance with the Finance Documents.
- The Propcos will enter into a subordinated facility agreement (the "**Intra-Group Subordinated Loan Agreement**") on or about the Closing Date pursuant to which the Propcos will be able to request reciprocal advances from each other in circumstances where one Propco does not have enough money to meet its payment obligations under the Intra-Group Loan Agreement and another Propco has excess cash and pursuant to which a Propco may make advances to the Fordgate Intermediate Co in circumstances where all of the Propcos payment obligations under the Intra-Group Loan Agreement are being met in full and the relevant Propco has excess cash.
- The Borrower and the Propcos, among others, will on or about the Closing Date, enter into two additional loan agreements (the "**B Loan Agreement**" and the "**C Loan Agreement**") each with a separate third party investor (the "**B Lender**" and the "**C Lender**"). Under the terms of the B Loan Agreement and C Loan Agreement, the B Lender and the C Lender will advance to the Borrower subordinated loans which will be used by the Borrower to make advances to the Propcos under the Intra-Group Loan Agreement. The B Loan Agreement, the C Loan Agreement and the Issuer/Borrower Loan Agreement are together referred to as the "**Loan Agreements**" and the loans made pursuant to the Loan Agreements are together referred to as the "**Loans**".
- The Borrower and each Propco will each create security over its assets in favour of the Borrower Security Trustee on trust for itself and the other Borrower Secured Creditors pursuant to a deed of charge (the "**Borrower Security Agreement**") and, in the case of Properties located in Scotland (the "**Scottish Properties**"), certain standard securities (the "**Standard Securities**") and rental assignments (the "**Scottish Rental Assignations**") granted pursuant to the Borrower Security Agreement to secure their obligations to the Issuer under the Finance Documents (where relevant)

and to the other Borrower Secured Creditors under the relevant Borrower Transaction Documents.

- Each Share Mortgagor will create security over its respective interests in the shares in the Issuer, the Borrower and the Propcos in favour of the Borrower Security Trustee on trust for itself and the other Borrower Secured Creditors pursuant to a mortgage of shares (the "**Mortgage of Shares**" and, together with the Borrower Security Agreement, the Standard Securities and the Scottish Rental Assignations, the "**Borrower Security Documents**").
- The Propcos will direct tenants under the Occupational Leases to pay all Rental Income into the Collection Account. The Property Manager will undertake to, among other things, collect all Rental Income in accordance with the Property Management Agreement and no later than three Business Days after receipt transfer all amounts credited to the Collection Account (except Key Expenses) to the Rent Account. On each Loan Interest Payment Date, amounts credited to the Rent Account and necessary to meet the Borrower's obligation to pay interest and principal (if any) due to the Issuer under the Issuer/Borrower Loan Agreement will be used for this purpose while any surplus funds in the Borrower Transaction Account (after payment of the B Loan and C Loan) may be transferred to the General Account (which will not be subject to a fixed charge) (see "*Summary of Principal Documents – The Account Bank Agreement*").
- The Issuer will, on or about the Closing Date, enter into a liquidity facility agreement (the "**Liquidity Facility Agreement**") with Lloyds TSB Bank plc (the "**Liquidity Facility Provider**") pursuant to which the Liquidity Facility Provider will, *inter alia*, make up any interest shortfall under the Notes, up to a maximum of £16,400,000 (the "**Liquidity Facility**"). The Liquidity Facility will be subject to a decreasing balance mechanism (see "*Summary of Principal Documents – The Liquidity Facility Agreement*").

The Borrower will become a party to one or more interest rate swap transactions (each a "**Swap Transaction**" and together, the "**Swap Transactions**") with the Swap Counterparty. The purpose of such Swap Transactions is to mitigate certain interest rate risks borne by the Borrower in respect of its floating rate interest obligations under the Issuer/Borrower Loan Agreement, the B Loan Agreement and the C Loan Agreement. Under the Swap Transactions, on each Loan Interest Payment Date the Borrower will pay to the Swap Counterparty amounts determined by applying fixed rates to the expected principal amount of the Issuer/Borrower Loan, the B Loan and the C Loan, as applicable, in exchange for the Swap Counterparty paying to the Borrower amounts determined by applying floating rates (determined by reference to Sterling LIBOR) to the expected principal amount outstanding of the Issuer/Borrower Loan, the B Loan and the C Loan. The obligations of the Swap Counterparty under the Swap Agreement will be guaranteed by the Swap Guarantor.

- The Issuer's obligations to pay principal and interest on the Notes will be met primarily from the payments of principal and interest received from the Borrower under the Issuer/Borrower Loan Agreement and monies paid by the Swap Counterparty under the Swap Agreement.

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

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

## KEY TRANSACTION PARTIES

<b>Corporate Services Provider:</b>	Structured Finance Management Limited, acting through its offices at 35 Great St. Helen's, London EC3A 6AP will provide certain corporate administration, secretarial and accounting services to the Issuer and Optionco under the Corporate Services Agreement (the " <b>Corporate Services Agreement</b> ").
<b>Issuer:</b>	Fordgate Commercial Securitisation No. 1 plc (the " <b>Issuer</b> ") is a public company incorporated in England and Wales with limited liability. The Issuer's company registration number is 5937113. 49,999 shares of the issued share capital of the Issuer are held by Optionco and one share of which is held by the Share Nominee on behalf of Optionco.
<b>Optionco:</b>	Fordgate Commercial Securitisation Holdings Limited (the " <b>Optionco</b> ") is a private company incorporated in England and Wales with limited liability under registered number 5935974. Optionco is wholly owned by SFM Corporate Services Limited (the " <b>Share Trustee</b> ") under the terms of a trust for the benefit of charitable institutions. Optionco will be granted a post-enforcement call option under the Post-Enforcement Call Option Agreement and includes any assignee or transferee.
<b>Borrower:</b>	Jupiter Properties Finance Limited (the " <b>Borrower</b> "), is a private company incorporated in England and Wales with limited liability under registered number 5927843. The entire issued share capital in the Borrower is held by the Fordgate Intermediate Co.
<b>Propcos:</b>	Each of Friars Bridge Court Limited (registered number 96456), Regent Centre Limited (registered number 96462), Pennine Centre Limited (registered number 96460), Nidox Limited (registered number 96481), Trident Retail Park Limited (registered number 96467), Melton Enterprises (One) Limited (registered number 96459), Melton Enterprises (Two) Limited (registered number 96480), Aspects Leisure Park Limited (registered number 96455), Teeside (Stockton) Limited (registered number 96483), Money Centre Plymouth Limited (registered number 96511), Cresta

House (Luton) Limited (registered number 96478), Telegraph House Limited (registered number 96484), Argyle (Edinburgh) Limited (registered number 96454), Seafield House Limited (registered number 96510), Marathon House Limited (registered number 96458), Rubislaw House Limited (registered number 96463), Traquair House Limited (registered number 96466) and Prospect House Limited (registered number 96482) and each is a private company incorporated in Gibraltar with limited liability (each, a "**Propco**" and together, the "**Propcos**").

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

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

**Fordgate Parent:**

Rainbow Star Limited (the "**Fordgate Parent**") is a private company incorporated in Gibraltar with limited liability. Fordgate Parent's company registration number is 96461. Fordgate Parent owns all the shares in the Fordgate Intermediate Co. and it is wholly owned by Solarviews Limited.

**Fordgate Intermediate Co.:**

Jupiter Properties Limited (the "**Fordgate Intermediate Co.**") is a private limited company incorporated in Gibraltar with limited liability. Fordgate Intermediate Co.'s company registration number is 96547. The entire issued share capital of Fordgate Intermediate Co. is owned by Fordgate Parent. Fordgate Intermediate Co. owns all the issued shares in the Borrower and the Propcos.

**Share Mortgagors:**

Fordgate Parent and Fordgate Intermediate Co. are referred to as the "**Share Mortgagors**".

The Share Mortgagors will grant security in favour of the Borrower Security Trustee

pursuant to the Mortgages of Shares over their shares in the Borrower and the Propcos, as applicable.

**Note Trustee:**

HSBC Trustee (C.I.) Limited, acting through its offices at 1 Grenville Street, St Helier, Jersey JE4 9PF (in this capacity, the "**Note Trustee**"), will act under the Trust Deed as trustee for the holders of the Notes and under the Issuer Deed of Charge as security trustee for the Noteholders and the other Issuer Secured Creditors.

**Borrower Security Trustee:**

Morgan Stanley Mortgage Servicing Limited, acting through its offices at 25 Cabot Square, Canary Wharf, London E14 4QA (in this capacity, the "**Borrower Security Trustee**"), will act under the Borrower Security Documents as trustee for the Issuer and the other Borrower Secured Creditors.

**Principal Paying Agent and Agent Bank:**

HSBC Bank plc, acting through its offices at 8 Canada Square, London E14 5HQ will be principal paying agent and agent bank under the Agency Agreement (in these capacities, the "**Principal Paying Agent**" and the "**Agent Bank**").

**Irish Paying Agent:**

HSBC Institutional Trust Services (Ireland) Limited, acting through its offices at HSBC House, Harcourt Centre, Harcourt Street, Dublin 2 will act as paying agent in Ireland under the Agency Agreement (the "**Irish Paying Agent**"). The Irish Paying Agent, the Principal Paying Agent and any other paying agent(s) which may be appointed pursuant to the Agency Agreement are together referred to as the "**Paying Agents**".

**Cash Manager:**

HSBC Bank plc, acting through its offices at 8 Canada Square, London E14 5HQ will act as cash manager to the Issuer under the Cash Management Agreement (in this capacity, the "**Cash Manager**").

**Calculation and Reporting Agent:**

Wells Fargo Securitisation Services Limited acting through its offices at Level 32, 25 Canada Square, London E14 5LQ will act as calculation and reporting agent to the Issuer under the Cash Management Agreement (in this capacity, the "**Calculation and Reporting Agent**").

<b>Account Bank:</b>	HSBC Bank plc, acting through its offices at 8 Canada Square, London E14 5HQ will act as account bank for the Issuer and the Borrower under the Account Bank Agreement.
<b>Liquidity Facility Provider:</b>	Lloyds TSB Bank plc, acting through its office at 10 Gresham Street, London EC2V 7AE will provide the Liquidity Facility to the Issuer under the Liquidity Facility Agreement (in this capacity, the " <b>Liquidity Facility Provider</b> ").
<b>Servicer:</b>	Morgan Stanley Mortgage Servicing Limited, acting through its offices at 25 Cabot Square, Canary Wharf, London E14 4QA (in this capacity, the " <b>Servicer</b> ").
<b>Special Servicer:</b>	Morgan Stanley Mortgage Servicing Limited, acting through its offices at 25 Cabot Square, Canary Wharf, London E14 4QA (in this capacity, the " <b>Special Servicer</b> ").
<b>Swap Counterparty:</b>	Morgan Stanley & Co. International Limited, (in this capacity, the " <b>Swap Counterparty</b> ") whose principal office is located at 25 Cabot Square, Canary Wharf, London E14 4QA, has entered into an interest rate swap agreement with the Borrower. In this document, the term " <b>Swap Counterparty</b> " includes any other party appointed from time to time pursuant to the Issuer/Borrower Loan Agreement to act as a counterparty under the hedging arrangements in respect of the Issuer/Borrower Loan, the B Loan and the C Loan.
<b>Swap Guarantor:</b>	Morgan Stanley, whose principal office is located at 1585 Broadway, New York, New York 10036, USA (the Swap Guarantor) will, pursuant to and subject to the terms of a guarantee in favour of the Borrower (the " <b>Swap Guarantee</b> "), guarantee all of the Swap Counterparty's obligations under the Swap Agreement and the Swap Transactions. The Swap Guarantee will be governed by New York law.
<b>Property Manager:</b>	Mayfield Asset and Property Management, acting through its office at Grove House, 248a Marylebone Road, London, NW1 6JZ, will provide property management (including rent collection) services to the Propcos under the



Property Management Agreement (in this capacity, the "**Property Manager**").

## KEY CHARACTERISTICS OF THE ISSUER/BORROWER LOAN AGREEMENT

- General:** The Issuer/Borrower Loan will constitute full recourse obligations of the Borrower. The Borrower Security Agreement (together with, in the case of the Scottish Properties, the Standard Securities and the Scottish Rental Assignations) is expressed to create a first charge or (as applicable) standard security over the Properties and first fixed security over the Borrower's and the Propcos' interests in any occupational leases, insurance policies, bank accounts and rental cashflows in respect of the Properties and a floating charge over all its remaining assets (including all of its Scottish assets). The Mortgage of Shares granted by Fordgate Intermediate Co. is expressed to create a first legal mortgage over all the shares in the Borrower and each Propco.
- Guarantee:** Each Propco guarantees the obligations of the Borrower under the Finance Documents on a joint and several basis by each Guarantor.
- Purpose of the Issuer/Borrower Loan:** The proceeds of the Issuer/Borrower Loan will be applied to make advances to the Propcos pursuant to the terms of the Intra-Group Loan Agreement and will ultimately be used to repay debt owed by one or more members of the Fordgate Group to Morgan Stanley Bank International Limited.
- Interest rate:** The rate of interest on the Issuer/Borrower Loan under the Issuer/Borrower Loan Agreement for each Loan Interest Period is the percentage rate per annum equal to the aggregate of the applicable:
- (a) Margin (being 0.20 per cent. in respect of the A1 Facility and 0.30 per cent. in respect of the A2 Facility; and
  - (b) LIBOR for the relevant Loan Interest Period (determined in accordance with the provisions of the Issuer/Borrower Loan Agreement);
- Interest payments:** Interest under the Issuer/Borrower Loan will be paid quarterly two Business Days prior to each Note Interest Payment Date (each, a "**Loan Interest Payment Date**"). Interest under the

Issuer/Borrower Loan will accrue from (and including) the Closing Date to (but excluding) the first Note Interest Payment Date and subsequent Interest Periods will run from (and including) a Note Interest Payment Date to (but excluding) the next Note Interest Payment Date. (each, a "**Loan Interest Period**").

**Repayment of the Issuer/ Borrower Loan:** Unless the Borrower has previously repaid its borrowings under the Issuer/Borrower Loan Agreement, it will be required to repay them in full on the Loan Interest Payment Date falling in October 2013 (the "**Loan Maturity Date**").

**Mandatory prepayment:**

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

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

**Optional Prepayment**

The Borrower may voluntarily prepay the Issuer/Borrower Loan Agreement in whole or part on any Loan Interest Payment Date provided that it gives not less than ten Business Days' prior written notice to the Issuer. Unless the prepayment is made to cure a breach of the Interest Cover covenant pursuant to the Issuer/Borrower Loan Agreement, a voluntary

prepayment must be in a minimum amount of £10,000,000 and in integral multiples of £250,000.

**Representations and warranties:**

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

- due incorporation and authorisation;
- no Loan Event of Default under the Issuer/Borrower Loan Agreement is outstanding;
- legality, validity and enforceability of each Transaction Document to which it is a party;
- ownership and title to the relevant Property, in each case free from any security interests other than as contemplated under the Borrower Security Documents;
- first priority or ranking of the security conferred by the Borrower Security Documents, subject to general equitable principles and other laws relating to creditors' rights in bankruptcy;
- the absence of material litigation, arbitration or administrative proceedings;
- the truthfulness and accuracy of all written information supplied by the Borrower to the Borrower Security Trustee in connection with, *inter alia*, the Issuer/Borrower Loan Agreement, the Intercreditor Agreement, the B Loan Agreement, the C Loan Agreement each Borrower Security Document, the Tax Deed of Covenant, the Swap Transactions and related finance documents (together, the "**Finance Documents**"), all written information supplied by the Borrower and each

Propco to the Valuer for the purposes of the relevant Valuation and all information provided to the lawyers preparing the Certificates of Title;

- (only on the Closing Date) all payments to be made by an Obligor under any Transaction Document to be free of any deduction or withholding in respect of tax;
- no material adverse change in its financial condition since the delivery of its most recent financial statement;
- ownership of each Obligor; and
- no other business carried on by each Obligor.

**Loan Security:**

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

**Insurance:**

The Obligors shall ensure that insurance is maintained in respect of each of the Properties save in the case of the Pennine Centre where the tenant insures for full replacement value, against, among other things, acts of terrorism and three year loss of rent.

**KEY CHARACTERISTICS OF THE PROPERTIES**

**Property:**

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

- Friars Bridge Court, Blackfriars Road, London SE1 ("**Friars Bridge Court**");
- Regent Centre, Newcastle-upon-Tyne ("**Regent Centre**");
- Pennine Centre, Sheffield, South Yorks ("**Pennine Court**");
- Watling Street, Knowl Hill, Milton Keynes, Bucks ("**Watling Street**");

- Hempshaw Lane, Stockport, Cheshire ("**Hempshaw Lane**");
- Kings Road, Bradford, West Yorks ("**Kings Road**");
- Priory Park, Hull ("**Priory Park**");
- Oak Tree Lane, Mansfield, Notts ("**Oak Tree Lane**");
- Unit Two, Centurion Park, Clifton Moorgate, York ("**Unit Two, Centurion Park**");
- Trident Retail Park, Runcorn, Cheshire ("**Trident Retail Park**");
- Units 1 and 2, Melton Park, North Ferriby, Hull ("**Melton Park**");
- Aspects Leisure Park, Bedford ("**Aspects Leisure Park**");
- Teesside, Stockton on Tees, Co. Durham ("**Teesside**");
- The Money Centre, Plymouth, Devon ("**The Money Centre**");
- Cresta House, Luton, Bedfordshire ("**Cresta House**");
- Telegraph House, Rochdale, Greater Manchester ("**Telegraph House**");
- Prospect House, Belle Vue Road, Shrewsbury, Shropshire ("**Prospect House**");
- Argyle House, Edinburgh ("**Argyle House**");
- Rubislaw House, Aberdeen, ("**Rubislaw House**");
- Seafield House, Aberdeen ("**Seafield House**");
- Marathon House, Aberdeen ("**Marathon House**"); and

- Traquair House, Edinburgh ("**Traquair House**").

(together, the "**Properties**").

**Valuation:**

The Properties were valued by Colliers CRE (the "**Valuer**") in September 2006 (the "**Valuation**").

The Valuer has determined the total market value of the freehold interest in all the Properties, subject to the existing tenancies, to be £482,900,000 as at September, 2006 (the "**Valuation Date**").

For further information about the valuation of the Properties, see the section headed "Valuation Report" below. Further information about the valuation, or summaries of the valuation, are also contained, in electronic form, on a CD-ROM which is available on request from the Issuer, see further the section headed "CD-ROM" below.

**PRINCIPAL FEATURES OF THE NOTES**

**Notes:**

The Notes will comprise:

£240,275,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2016; and

£24,027,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2016.

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

**Status and priority:**

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

Prior to service of a Note Acceleration Notice, payments of interest on the Class A Notes will rank in priority to payments of interest on the

Class B Notes and payments of interest on the Notes will rank in priority to payments of principal on the Notes. Payments of principal on the Class A Notes will rank in priority to payments of principal on the Class B Notes.

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

**Form of the Notes:**

Each Class of Notes will be in bearer form. The Temporary Global Notes and the Permanent Global Notes of each Class will be held by a common depositary for Euroclear and Clearstream, Luxembourg. The Notes will be in denominations of £50,000 and in integral multiples of £1,000 in excess thereof.

For so long as the Notes are represented by Global Notes and the rules of Euroclear and Clearstream so permit, the Notes will be tradeable in minimum nominal amounts of £50,000 and integral multiples of £1000 in excess thereof. See further Condition 2.2.

**Ratings:**

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

<b>Class</b>	<b>Fitch</b>	<b>S&amp;P</b>
Class A Notes	AAA	AAA
Class B Notes	AA	AA

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

**Listing:**

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

**Final redemption:**

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

**Redemption in whole for taxation and other reasons:**

In accordance with Condition 7.2(b) and only after reasonable endeavours have been made to mitigate in accordance with Condition 7.2(a) if the Issuer satisfies the Note Trustee that either



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

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

**Mandatory redemption in whole or in part:**

Subject to Condition 7.3 and prior to service of a Note Acceleration Notice, if the Issuer receives a notice from the Borrower pursuant to the Issuer/Borrower Loan Agreement that the Borrower will prepay all or part of the Issuer/Borrower Loan on or before the next Note Interest Payment Date or the Issuer/Borrower Loan is declared due and payable on or before the next Note Interest Payment Date, the Issuer will, in accordance with Condition 7.3(a), upon giving not more than 60 and not less than ten Business Days' notice to the Noteholders and

provided that it has satisfied the Note Trustee that it has or will have sufficient funds available to it, redeem the Notes *pro rata* in an aggregate amount equal to the principal amount of the Issuer/Borrower Loan being prepaid or repaid on the next Note Interest Payment Date.

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

**Optional redemption:**

The Issuer has the option to redeem all or part of the Notes or all or any part of any Class of the Notes on any Note Interest Payment Date in accordance with Condition 7.4 upon giving not more than 60 nor less than ten Business Days' notice to the Noteholders and provided that it has satisfied the Note Trustee that it has or will have sufficient funds available to it. If the Issuer exercises its option to redeem the Notes, it shall apply the principal redemption amount to redeem the Class A Notes and/or the Class B Notes (as the case may be).

**Post-Enforcement Call Option:**

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

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

The Issuer will not be permitted to purchase Notes.

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

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

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

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

**Interest rates:**

Each Class of Notes will initially bear interest calculated as the sum of LIBOR (as determined in accordance with Condition 5.4) plus the relevant Margin. The interest rate margin

applicable to each Class of Notes will be as follows (each, a Margin):

<b>Class</b>	<b>Margin</b> (per cent.)
Class A Notes	0.20
Class B Notes	0.30

**Interest payments:**

Interest will be payable on the Notes quarterly in arrear on 23 January, 23 April, 23 July and 23 October in each year, unless the same is not a Business Day, in which case the Note Interest Payment Date will instead be the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day (each, an "**Note Interest Payment Date**"). "**Business Day**" means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business and settle payments in London and Dublin.

**Interest Periods:**

The first interest period in respect of the Notes (each, an "**Interest Period**").will run from (and including) the Closing Date to (but excluding) the first Note Interest Payment Date and subsequent Interest Periods will run from (and including) an Note Interest Payment Date to (but excluding) the next Note Interest Payment Date. The Noteholders will be entitled to receive a payment of interest only in so far as payment is in accordance with the Priorities of Payments (as described in "*Summary of Principal Documents – Cash Management Agreement*" below). Any interest not paid on the Notes (other than interest due on the Most Senior Class of Notes then outstanding) when due (prior to the Final Maturity Date or on such earlier date as the Notes become immediately due and repayable under Condition 11) will accrue interest and will be paid only to the extent that there are funds available on a subsequent Note Interest Payment Date in accordance with the Priorities of Payments (as described in "*Summary of Principal Documents – The Cash Management Agreement*" below).

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

**Issue prices:**

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

**Withholding tax:**

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

**Security for the Notes:**

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

The Note Trustee will hold the security granted under the Issuer Deed of Charge on trust for itself, any receiver and any other appointee of the Note Trustee, the Paying Agents, the Agent Bank, the Servicer, the Special Servicer, the Liquidity Facility Provider, the Cash Manager, the Calculation and Reporting Agent, the Account Bank and the Noteholders and the Couponholders, (the "**Issuer Secured Creditors**").

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

- (a) an assignment by way of first fixed security of the Issuer's right, title, interest and benefit, present and future, in, to and under the Issuer/Borrower Loan, the Issuer Transaction Documents, other than the Trust Deed and the Issuer Deed of Charge, and the Borrower Security Documents;
- (b) a first fixed charge of its right, title, interest and benefit, present and future, in and to all amounts in the Issuer

Accounts (other than the Issuer Share Capital Account);

- (c) a first fixed charge over its interest in any Eligible Investments permitted to be made by it pursuant to the Cash Management Agreement; and
- (d) a first ranking floating charge over the whole of its undertaking and of its property and assets not already subject to fixed security (but including all of its undertakings, property and assets situated in Scotland or governed by Scots Law).

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

**Transfer restrictions:**

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

**Governing law:**

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

## **RISK FACTORS**

*The following is a summary of certain aspects of the Notes about which prospective Noteholders should be aware. This summary is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision.*

### **Liability under the Notes**

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

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

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

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

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

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

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

If, on any Note Interest Payment Date, the Issuer has insufficient funds to make payment in full of interest due on any Class or Classes of Notes (other than the Most Senior Class of Notes), the Issuer will be entitled (under Condition 5.8) to defer payment of such amount or amounts (as the case may be) until the following Note Interest Payment Date. In these circumstances there will be no Note Event of Default.

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

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

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

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

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

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

The ratings assigned to the Notes by the Rating Agencies are based primarily on the value of the Properties, but take into account other relevant structural features of the transaction, including, inter alia, the Liquidity Facility and the short-term unsecured and unsubordinated debt rating of the Liquidity Facility Provider and reflect only the views of the Rating Agencies. The ratings assigned by the Rating Agencies address the likelihood of full and timely payment to the Noteholders of all payments of interest on each Note Interest Payment Date and repayment of principal no later than the final Note Interest Payment Date. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the Rating Agencies' judgement, circumstances so warrant. Rating agencies other than the Rating Agencies could seek to rate the Notes and if such "unsolicited ratings" are lower than the comparable rating assigned to the Notes by the Rating Agencies, such shadow ratings could have an adverse effect on the value of the Notes. For the avoidance of doubt and unless the context otherwise requires, any references to "**ratings**" or "**rating**" in this Offering Circular are to ratings assigned by the Rating Agencies only. Future events, including but not limited to events affecting the Fordgate Group, the Liquidity Facility Provider and/or circumstances relating to the Properties and/or the property market generally, could have an adverse impact on the ratings of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may



be subject to revision, suspension or withdrawal at any time by the assigning Rating Agency. In addition, it should be noted that the Issuer is only obliged to maintain ratings of the Notes from any two rating agencies.

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

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

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

### ***Ratings confirmations***

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

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

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

The Notes of each Class will be issued in the denomination of £50,000. However, for so long as the Notes of any relevant Class are represented by a Global Note, and the rules of Euroclear and Clearstream, Luxembourg so permit, the Notes will be tradeable in minimum nominal amounts of £50,000 and integral multiples of £1,000 in excess thereof. However, if Definitive Notes for that Class of Notes are required to be issued and printed, any Noteholder

holding Notes having a nominal amount which cannot be represented by a Definitive Note in the denomination of at least £50,000 will not be entitled to receive a Definitive Note in respect of such Notes and will not therefore be able to receive principal or interest in respect of such Notes.

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

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

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

The ability of the Issuer to redeem the Notes on the Note Interest Payment Date falling in October 2016 will be dependent on the ability of the Borrower to repay the Issuer/Borrower Loan under the Issuer/Borrower Loan Agreement. In order to make such a repayment under the Issuer/Borrower Loan Agreement, the Borrower will be required to refinance the Issuer/Borrower Loan by, for example, having the Propcos sell the Properties to a third party or raising new finance in an amount at least equal to the amount outstanding under the Issuer/Borrower Loan Agreement. No assurance can be given that market conditions will be such that the Propcos will be able to sell the Properties nor that the Borrower will be able to refinance the Issuer/Borrower Loan in full and on time in order to enable it to meet its obligations to repay the Issuer/Borrower Loan and hence to enable the Issuer to meet its obligations under the Notes on the Note Interest Payment Date falling in October 2016.

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

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

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

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

If the Swap Counterparty fails to provide the Borrower with amounts equal to the full amount of interest due on the relevant tranche of the Issuer/Borrower Loan, the B Loan or the C Loan on any Loan Interest Payment Date or if the Swap Agreement is otherwise terminated, then the Borrower may have insufficient funds to make payments due on that Issuer/Borrower Loan, the B Loan or the C Loan. The Swap Counterparty is required to meet certain

requirements (such as providing collateral in support of its obligations or obtaining a guarantee) if the Swap Guarantor is downgraded below the levels specified in the Swap Agreement. In the event that the Swap Counterparty is unable to fulfil such requirements within the required time period following a downgrade of the Swap Guarantor, the Borrower has the right to terminate the Swap Agreement and this may result in the Borrower being required to pay a swap termination payment to the Swap Counterparty thus reducing the funds available to the Borrower for making payments it is obliged to make pursuant to the Issuer/Borrower Loan Agreement and/or the B Loan Agreement and/or the C Loan Agreement. In addition, following such a termination of the Swap Agreement, until such time as the Borrower puts in place a replacement swap agreement, the Borrower will be exposed to interest rate risk which may result in the Borrower having insufficient funds to make the payments it is obliged to make pursuant to the Issuer/Borrower Loan Agreement and/or the B Loan Agreement and/or the C Loan Agreement.

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

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

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

caps or captions) entered into pursuant to the Swap Agreement exceeds the sum of £100,000 and the outstanding principal amount of all the loans made under the C Loan Agreement.

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

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

### ***Diligence in connection with the Properties - Reports***

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

The Valuation in respect of the Properties has been provided by the Valuer. The Valuation expresses the professional opinion of the Valuer on the Properties and is not a guarantee of present or future value in respect of such Property. One valuer may, in respect of any Property, reach a different conclusion than the conclusion in relation to a particular Property that would be reached if a different valuer were appraising such Property. Moreover, valuations seek to establish the amount that a typically motivated buyer would pay atypically motivated seller and, in certain cases, may have taken into consideration the purchase price paid by the existing property owner. There can be no assurance that the market value of a Property will continue to equal or exceed the valuation contained in the Valuation. If the market value of some or all of the Properties fluctuates, there can be no assurance that the market value will be equal to or greater than the unpaid principal and accrued interest on the Issuer/Borrower Loan and any other amounts due under the Issuer/Borrower Loan Agreement. If a Property is sold following an event of default in respect of any Loan, there can be no assurance that the net proceeds of such sale will be sufficient to pay in full all amounts due in respect of the Issuer/Borrower Loan, irrespective of the value ascribed to it.

For further information about the valuation of the Properties, see the section headed "Valuation Report" below. Further information about the valuation, or summaries of the valuation, are also contained, in electronic form, on a CD-ROM which is available on request from the Issuer, see further the section headed "CD-ROM" below.

### ***Due Diligence in connection with loan warranties***

No independent investigation with respect to the matters warranted in the Issuer/Borrower Loan Agreement will be made by the Issuer, the Note Trustee or the Borrower Security Trustee, other than searches made on or about the Closing Date against the Obligor in the relevant file held, in respect of the Obligor and the Share Mortgagors at the Companies Registry and an oral enquiry made to the Central Registry of Winding-Up Petitions and

searches against the Properties at the Land Registry and the Registers of Scotland. Apart from such searches, in relation to such matters, the Issuer, the Note Trustee and the Borrower Security Trustee will rely entirely on the warranties to be given by the Obligors and the Share Mortgagors in the Issuer/Borrower Loan Agreement and the Mortgage of Shares (as applicable).

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

The ability of the Issuer to make interest payments on, and repayments of principal of, the Notes is dependent on the payments made by the Borrower under the Issuer/Borrower Loan Agreement, which in turn is dependent on *inter alia*, the payments made by the Propcos to the Borrower under the Intra Group Loan Agreement and payments made by the Swap Counterparty under the Swap Agreement. The Propcos ability to make payments under the Intra Group Loan Agreement is in turn dependent upon prompt payments of Rental Income by the tenants of the Properties under the terms of the leases or other occupational agreements (the "**Occupational Leases**"). The payments in respect of the Notes will therefore be dependent on the due performance of the obligations on the part of each tenant to pay all rents and to observe and perform the covenants, undertakings and obligations contained in the Occupational Leases. Any failure of an occupational tenant to pay rents due pursuant to the relevant Occupational Lease could affect the Issuer's ability to make payments in respect of the Notes.

### ***Regent Centre***

Two leases affecting parts of the Regent Centre Property, vested in the Secretary of State for the Environment and Barclays Bank Plc, contain provisions whereby the basic rent payable, on future review, can be adjusted on an upwards or downwards basis. In the case of the first lease (where the current annual rent is £595,000) the next review is dated 25 September 2011 (whereas the contractual expiry date of the lease is the 24 December 2011) but, in the case of the other lease (where the current annual rent is £93,600), there are future reviews due on 29 September 2006 and 29 September 2009 (the contractual expiry term of the lease is the 28 September 2012). If, therefore, market rents decrease (or fail to increase sufficiently) to a level equal to the current rent as of the relevant review date, then the rental income derived from the property as a whole may be reduced.

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

The Rental Income under the Occupational Leases is not insured or guaranteed. Following a default under the Issuer/Borrower Loan Agreement or termination of an Occupational Lease, it may be necessary to offer to re-let or, as appropriate, sell the relevant Property. Amounts received in respect of the Properties following a reletting or sale could be insufficient to pay accrued interest on and to repay principal due under the Issuer/Borrower Loan Agreement in full in which case Noteholders may ultimately suffer a loss.

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

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

During the full term of the Notes some of the Occupational Leases may expire or be determined or become subject to renewals or the relevant space may need to be re-let and there can be no assurance that the Propcos will be able to re-let or, if re-let, that the new leases for such space will be on terms as favourable to the relevant Propco as those currently, or then, existing or that the covenants given by and/or status of any tenants under new leases will be the same as those, or equivalent to, any tenants under the Occupational Leases.

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

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

### ***Developments***

The Issuer/Borrower Loan Agreement provides that the Obligors are entitled to carry out works in relation to the Properties provided that they satisfy the certain criteria which are set out in detail in the section of this Offering Circular headed "Substitution, Disposals and Alteration of Properties". There are a variety of risks associated with any construction or refurbishment work and even if the works are carried out in accordance with the criteria set out in the Issuer/Borrower Loan Agreement there can be no guarantee that any particular works will not have an adverse effect on the ability of the Obligors to meet their obligations to the Issuer under the Issuer/Borrower Loan Agreement. The Obligors have notified the Issuer that they intend to carry out works in relation to the Marathon House, Trident Retail Park and Aspects Leisure Park Properties. It is expected that the proposed works to Marathon House will be funded by advances from the B Lender and the C Lender subject to satisfaction of certain conditions including but not limited to consents from the Borrower Security Trustee, the B Lender and the C Lender. The works at Marathon House are not subject to the criteria applicable to Major Works under the Issuer/Borrower Loan Agreement. The works at Aspects Leisure Park will be subject to the Major Works criteria and will require consent from the Borrower Security Trustee, the B Lender and the C Lender and confirmation from the Rating Agencies that as a result of the works the then current ratings of the Notes will not be withdrawn, downgraded or qualified. The works at Trident Retail Park will be subject to the Major Works criteria. The proposed works at Marathon House, Trident Retail Park and Aspects Leisure Park will also be subject to the Standard Upgrade Criteria set out in the Issuer/Borrower Loan Agreement.

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

Save for the Certificates of Title, no due diligence has been performed in respect of the terms of the Occupational Leases. However, the Obligors have represented to the Issuer that the obligation to make payments under an Occupational Lease in respect of the Properties is or, as applicable, will be, an unconditional obligation on the part of the relevant occupational

tenant. Substantially all the Occupational Leases have been completed on a tenant's full repairing and insuring basis, namely, substantially all of the economic liabilities arising in relation to the upkeep and operation of the relevant leased premises are borne by the tenant (either directly or, where a tenant only has a lease of part of a Property, by way of contribution to a service charge fund, including the costs of repairing, maintaining and insuring the relevant premises subject to certain limited exceptions in certain cases).

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

### ***Reliance on Valuation***

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

### ***Environmental risks***

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

Limited environmental enquiries were raised in connection with the preparation of the Certificates of Title. Subject to those, however, no environmental due diligence in respect of the Properties has been carried out in connection with the issue of the Notes and related transactions.

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

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

If any environmental liability were to exist or arise in respect of any Property, none of the Borrower Security Trustee or the Note Trustee should incur any such liability prior to enforcement of the Borrower Security Agreement, unless it could be established that the Borrower Security Trustee or the Note Trustee had entered into possession of the relevant Property(ies) or had exercised a significant degree of control or management of either the relevant Property(ies) or the relevant environmental problem(s). After enforcement, the Borrower Security Trustee or the Note Trustee, if deemed to be a mortgagee or (in Scotland) heritable creditor in possession, or a receiver appointed on behalf of the Borrower Security Trustee or the Note Trustee, could become responsible for environmental liabilities in respect of a Property and any such liability could affect the amounts available to the Issuer to make payments under the Notes. If the Borrower Security Trustee or the Note Trustee unduly directed or interfered with the actions of the directors or the legal owners of the Properties or directed or interfered with the receiver's actions or if a receiver's indemnity had been given and that indemnity covered environmental liabilities, this could also result in a liability for the Issuer, the Borrower Security Trustee and/or the Note Trustee. Even if either of them could incur such a liability solely by virtue of being the owner and/or lessor of such Property(ies) they may be able to obtain an indemnity from the relevant tenant in possession.

The Obligors will warrant in the Issuer/Borrower Loan Agreement, in respect of each of the Properties as to environmental matters as summarised in "*Summary of Principal Documents – The Issuer/Borrower Loan Agreement – Warranties*" below. It will be an event of default under the Issuer/Borrower Loan Agreement if there is a breach of any of the environmental representations and warranties contained in the Issuer/Borrower Loan Agreement which has a Material Adverse Effect.

### ***Compulsory Purchase***

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

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

It should be noted that there is often a delay between the compulsory purchase of a property and the payment of compensation (although interest may be payable from the date upon



which the acquiring authority takes possession of the property), which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the open market value of the property. Such a delay may, unless the relevant Propco has other funds available to it, give rise to a Loan Event of Default under the Issuer/Borrower Loan Agreement, the B Loan Agreement and the C Loan Agreement.

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

In the case of non-payment of rent and other remediable breaches in relation to leasehold titles to Properties in England or Wales the tenant (or the tenant's mortgagee such as the Borrower Security Trustee) is likely (provided that it does remedy such non-payment or other breach) to obtain relief from any attempts to terminate the lease (i.e. forfeiture) thus preventing termination of the lease. In relation to Properties in Scotland, while a landlord is required to serve notice of intention to irritate (i.e. terminate) the lease upon the tenant in the event of a breach (and in the case of a non-monetary breach is under a general duty to act reasonably), there is no equivalent under Scots law to the rights of relief from forfeiture which arise under English law. The Propcos have undertaken under the Issuer/Borrower Loan Agreement to comply with the terms of the headleases.

### ***Frustration***

An Occupational Lease in respect of a Property could, in exceptional circumstances, be frustrated under English or Scots law. Under English law, frustration may occur where a supervening event so radically alters the implications of the continuance of a lease for a party thereto that it would be inequitable for such lease to continue. Under the equivalent Scots law principle of *rei interitus*, a lease will (subject to express agreement to the contrary) terminate if the leased property is destroyed to the extent that it is no longer tenantable or if an event occurs which otherwise precludes performance of the parties' rights and obligations under the lease. If a tenancy granted in respect of a Property were to be frustrated, this could operate to have an adverse effect on the income derived from, or able to be generated by, such Property. This in turn could cause the Borrower to have insufficient funds to make payments in full in respect of the Issuer/Borrower Loan Agreement, which could lead to a default thereunder.

### ***Late Payment of Rent***

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

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

Several of the Properties are multi-tenanted and the relevant Propco, as landlord, is obliged to provide services relating to the areas of the Property that are used by all the tenants and their

visitors collectively, rather than by an individual tenant. Although tenants are required by the terms of their leases to make service charge contributions towards the landlord's costs in this regard, the relevant Propco would be responsible for meeting any shortfalls in contributions and covering the contribution that would otherwise be made by tenants of unlet units.

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

Subject to the terms of the Intercreditor Agreement, in the event of a notice to the Borrower by the Issuer or the Borrower Security Trustee declaring all or part of any amounts outstanding under the Finance Documents due and payable and/or payable on demand, recourse will be available only to the assets the subject of the Obligor Security (including the Properties, the benefit of the covenants and undertakings in favour of the Borrower and Propcos pursuant to the terms of the Transaction Documents and the Borrower Accounts).

Following the occurrence of an event of default in relation to the Loans, the Servicer or, while the Issuer/Borrower Loan is a Specially Serviced Loan, the Special Servicer, will determine, in accordance with the Servicing Standard, the best strategy for preserving the Lender's rights in respect of the Loans and in respect of the Properties securing it. Furthermore, in its capacity as agent for the Borrower Security Trustee, the Servicer or Special Servicer will take action with regard to the enforcement of the security in accordance with the terms of the Intercreditor Agreement, which may in certain cases require consultation with the Operating Adviser. The Servicer's or Special Servicer's strategy may include agreeing to waive, vary or amend certain terms of the Finance Documents (subject, in certain cases to, to obtaining the prior consent of the B Lenders and/ or the C Lenders) and/or appointing a receiver in respect of all or some of the Properties.

The default procedures implemented may not result in immediate realisation of the property and assets securing the repayment of the Issuer/Borrower Loan and a significant delay could be experienced in recovery by the Borrower Security Trustee of, inter alia, amounts owed under the Intra-Group Loan Agreement, the Issuer/Borrower Loan Agreement, the B Loan Agreement and the C Loan Agreement (in particular, please see "Insolvency Considerations" below). Any receiver appointed would usually require an indemnity to meet his costs and expenses (which rank ahead of payments on the Notes) as a condition of his appointment. Furthermore, there can be no assurance that the Borrower Security Trustee would recover all amounts secured upon enforcement of the Obligor Security and, accordingly, sufficient funds may not be realised or available to make all required payments to the Issuer and, accordingly, the Issuer may not have sufficient funds available to make all required payments to the Noteholders.

### ***Enforcement of the Issuer Security***

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

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

In the event of enforcement of the Obligor Security it may be necessary to sell the Properties. Sale proceeds could be insufficient to pay accrued interest and repay principal under the

Intra-Group Loan Agreement and the Issuer/Borrower Loan Agreement in full, in which case Noteholders may ultimately suffer a loss.

The value and income generating potential of the Properties may be adversely affected by risks generally incidental to interests in real property, including changes in political and economic conditions and/or in business conditions in specific industry and regional segments, legislative and policy change that results in deterioration in the demand for office, retail and industrial accommodation and/or increasing available supply of such space and/or terrorism and acts of God, and other factors which are beyond the control of any party to the transaction.

### ***Mortgagee in possession liability***

The Borrower Security Trustee may be deemed to be a mortgagee (or, in Scotland, heritable creditor) in possession if there is physical entry into possession of any Property or an act of control or influence which may amount to possession (such as receiving rents directly from the relevant tenant or sub-tenant). A mortgagee or heritable creditor in possession may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation) and in certain circumstances, can incur the liabilities of a property owner.

### ***Property Management***

Mayfield Asset and Property Management has been appointed as Property Manager of the Properties. Generally, a property manager is responsible for responding to changes in the local market, planning and implementing the rental rate or operating structure, which may include establishing levels of rent payments or rates, and insuring that maintenance and capital improvements are carried out in a timely fashion.

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

### ***Delegation***

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

found in a timely manner, and engaged on terms acceptable to the Borrower Security Trustee and/or the Note Trustee (as applicable).

### ***Insurance***

Save for certain provisions affecting the Pennine Centre (see below), the tenancies provide that, if the premises comprised in the tenancy are destroyed or damaged by an insured risk so as to render them unfit for use and occupation, the tenant will cease to be liable to pay rent otherwise due under the tenancy (or a proportionate part where the premises suffer only partial damage) until (i) the premises are again rendered fit for use and occupation or (ii) (if earlier) the expiration of the period for which loss of rent has been insured. The landlord and the tenant will usually have the right to determine the lease if the damage has not been repaired or the premises have not been reinstated after a certain period (usually three years from the date of damage or destruction). The Propcos (as landlords) are accordingly generally required to take out loss of rent insurances for a period of three years (the cost of which is usually reimbursed by the relative tenant or tenants).

The insurance against loss of rental value will cover the loss of rent during the period of rent cessation, although there could be administrative delay in obtaining payment from the insurers which could affect the ability of the Borrower, and accordingly also the Issuer, to meet its payment obligations during that period of delay.

Save as provided below, the terms of the tenancies require the landlord to apply all monies in undertaking reinstatement of damaged premises following destruction or damage by an insured risk subject to obtaining necessary planning permission.

The tenant under the Occupational Lease is responsible for insurance of one of the Properties (the Pennine Centre) is entitled to effect their own insurance (see the risk factor headed "Pennine Centre").

Certain Properties however have particular provisions relating to reinstatement after substantial damage or destruction by insured risks which differ substantially from the standard provisions under the Occupational Leases. These are summarised as follows:

- (i) *Argyle House, Edinburgh*, where rent suspension until reinstatement only applies in the event of partial destruction (the lease terminating in the event of total destruction) and, in the event of partial destruction, only the tenant can determine the lease,
- (ii) *Marathon House, Aberdeen*, as to which see the risk factor headed "Marathon House" below,
- (iii) *Seafield House, Aberdeen*, where the lease of suites A and D provides for rent suspension with no time limit but if the premises are materially damaged or destroyed both the landlord and the tenant are entitled to determine the lease;
- (iv) *Pennine Centre, Sheffield*, as to which see the risk factor headed "Pennine Centre" below.

### ***Scope of insurance***

Certain types of risks and losses (namely losses resulting from war or terrorism) may be or become uninsurable or not normally or commercially insurable. The Issuer/Borrower Loan

Agreement provides that the Obligors are not obliged to obtain insurance in respect of losses which are not normally insurable and that the Obligors are only obliged to insure against losses resulting from acts of sabotage or terrorism to the extent that such insurance is available on commercially reasonable terms in the UK or European market. If an uninsured loss were to occur, the Borrower might not have sufficient funds to repay in full all amounts owing under or in respect of the Issuer/Borrower Loan Agreement.

### ***Pennine Centre***

Under the Occupational Lease in respect of the Pennine Centre, the current tenant, HSBC Bank Plc, is entitled to insure the property itself, and in case of damage or destruction is responsible for reinstatement. However, the tenant also has a right to determine the lease if, within one year of the date of damage or destruction, rebuilding or reinstatement work has not commenced or, if at the end of the period of two years from the date of damage or destruction, rebuilding/reinstatement of the premises has not been completed. As the time periods are short there is a risk that, if the premises were totally or substantially destroyed, it may not be possible to reinstate within the requisite periods in which case the tenant would be entitled to determine the lease.

If the lease were so determined, but the tenant was in breach of its rebuilding/reinstatement obligations, then on determination the tenant would be obliged to reimburse the landlord's losses suffered as a result. However, if the building/reinstatement did not occur as a result of matters outside the tenant's control, the landlord would have to complete the reinstatement itself, although would be entitled to any insurance monies in this respect.

### ***Marathon House***

Normally, Occupational Leases would provide that any right for a tenant to terminate the lease after total or substantial damage or destruction would only apply after a period of two or three years has lapsed, in order to provide the landlord time within which to reinstate. The lease of Marathon House, Aberdeen, however provides that, if the premises are totally destroyed, either party can terminate the lease on two months' notice. Whilst, however, insurance monies attributable to loss of rent for a period of up to three years should still be payable (subject to the terms of the relevant policy) there can be no guarantee that, if the premises were rebuilt at the end of such time, a new tenant for the premises could be found nor, if such a tenant were available, that terms (and rent payable) would be as high as that currently payable.

### ***Replacement of Servicer and Special Servicer***

In order for the termination of the appointment of the Servicer or Special Servicer to be effective under the Servicing Agreement a substitute must have been appointed. The appointment of any substitute Servicer or Special Servicer will not become effective unless certain conditions are met, including receipt of Rating Agency confirmation that the then current ratings of the Notes will not be adversely affected. However, there is no guarantee that an appropriate substitute could be found who would be willing to service the relevant Loans and the Related Security. Furthermore, the ability of any substitute to assume the duties of the Servicer or Special Servicer as set out in the Servicing Agreement.

In the case of the termination of the appointment of the Servicer or Special Servicer, although the Servicing Agreement provides for the fees payable to a substitute to be consistent with

those payable generally at that time for the provision of commercial mortgage administration services, there can be no assurances that the fees payable by the Issuer to the substitute would not be higher than those payable to the Servicer and Special Servicer on the Closing Date. As with the fees payable to the Servicer and the Special Servicer, the fees and expenses of a substitute servicer or special servicer would be payable in priority to payment of interest under the Notes.

## **Risks relating to Taxation**

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

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

### ***Taxation of the Propcos***

Each Propco will be within the charge to United Kingdom income tax in respect of rent receivable by it. The directors of the Propcos believe that the Propcos (taken as a group) will, on a conservative basis, have sufficient post-tax income to enable them to satisfy their payment obligations under the Intra-Group Loan Agreement in respect of interest and any amounts which will ultimately be applied to repay the C Loan under items (m) and (s) of the Pre-Material Senior Default Priority in the Intercreditor Agreement.

## **Insolvency Considerations**

### ***Administrative Receivership***

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

The Issuer is of the view that the floating charges granted by the Issuer (but not by the Borrower or any Propco), will fall within the 'capital market exception' under section 72B of the Insolvency Act. It should, however, be noted that the Secretary of State may, by secondary legislation, modify the capital market exception and/or provide that the exception shall cease to have effect. No assurance can be given that any such modification or provision

in respect of the capital market exception, or its ceasing to be applicable to the transactions described in this document, will not be detrimental to the interests of the Noteholders.

### *Administration*

The Insolvency Act also contains an out-of-court route into administration for a qualifying floating chargeholder, the directors or the relevant company itself. The relevant provisions provide for a notice period during which the holder of the floating charge can either agree to the appointment of the administrator proposed by the directors or the company or appoint an alternative administrator, although a moratorium on enforcement of the relevant security will take effect immediately after notice is given. If the qualifying floating chargeholder does not respond to the directors' or company's notice of intention to appoint, the directors' or, as the case may be, the company's appointee will automatically take office after the notice period has elapsed. Where the holder of a qualifying floating charge within the context of a capital market transaction retains the power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out-of-court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed. It should also be noted that the appointment of an administrative receiver in relation to the Propcos may not be possible even if the floating charges granted by the Propcos fall within the exception under Section 72B of the Insolvency Act, because, being incorporated in Gibraltar, the Propcos may not fall within the definition of "company" for the purposes of section 29(2) of the Insolvency Act. If an administrator were appointed in relation to any Propco, there is therefore a risk that such appointment could not be blocked by the appointment of an administrative receiver.

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

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

The Share Mortgagors will not be granting floating charges and it will therefore not be possible to block the appointment of the administrator in respect of any of the Share Mortgagors and its respective assets by the appointment of an administrative receiver pursuant to a qualifying floating charge.

As a result of the stay in proceedings upon the appointment of an administrator, the Borrower Security Trustee would not be entitled to enforce its security over the relevant obligor's assets, unless it obtained the consent of the administrator or approval of the court.

### ***Prescribed Part***

Section 176A of the Insolvency Act provides that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's "net property" is defined as the amount of the company's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration. The "prescribed part" is defined in the Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/2097) to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, up to a maximum of £600,000. The Borrower and the Propcos have been incorporated as special purpose entities and are not known to have any material unsecured creditors and each Propco will provide representations as to its solvency as at the Closing Date, that there are no administrative or similar proceedings which are current or, to its knowledge, pending or threatened against it or any of its assets or properties, which are reasonably likely to be material and that it has no material creditors other than pursuant to the Finance Documents.

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

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

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

Each of the Borrower Security Trustee and the Note Trustee is entitled to receive remuneration and reimbursement for its expenses and an indemnity out of the assets of the Obligors or the Issuer, as applicable, for their potential liabilities. Such payments to the Borrower Security Trustee will rank ahead of the interest and principal due under the Intra-Group Loan Agreement or the Issuer/Borrower Loan Agreement respectively (and, in turn, payments by the Issuer under the Notes). Similarly, such payments to the Note Trustee will rank ahead of payments by the Issuer under the Notes. Accordingly, should the Borrower Security Trustee or the Note Trustee become liable for acts of such a receiver, the amount that would otherwise be available for payment to the Noteholders may be reduced.

If the company to which the receiver is appointed goes into liquidation, then, as noted above, the receiver will cease to be that company's agent. At such time he will then act either as



agent of his appointor or as principal according to the facts existing at that time. If he acts as agent of his appointor, then for the reasons set out in the foregoing paragraph, the amount that would otherwise be available for payment to Noteholders may be reduced. If the receiver acts as principal and incurs a personal liability, he will have a right of indemnity out of the assets in his hands in respect of that liability and the amount that would otherwise have been available for payment to the Noteholders (subject to any claims of the Borrower Security Trustee or the Note Trustee) would be reduced accordingly.

### *Non-resident Obligors*

The Propcos are incorporated, and have their registered office, in Gibraltar (the "**Foreign Obligors**").

With respect to these Foreign Obligors, there is the risk that:

- (a) third party creditors may commence insolvency proceedings against such Foreign Obligors in their jurisdiction of incorporation or the place of their registered office;
- (b) an English court might decline jurisdiction if the relevant Finance Party were to seek to commence insolvency proceedings in England; and
- (c) in certain circumstances, an English court may recognise insolvency proceedings commenced in another jurisdiction (including those referred to above) and may, for example, make an order impacting on the availability of certain types of creditor action in England and/or resulting in the application of English claw-back provisions to such Foreign Obligors, notwithstanding that there are no corresponding relevant English insolvency proceedings.

In relation to paragraph (a) above, the extent to which insolvency proceedings may be commenced in such jurisdictions would be, in each case, a matter to be determined under the laws of the relevant jurisdiction (subject, in the case of the Foreign Obligors with their "centre of main interests" in the European Union, to Council Regulation (EC) No. 1346/2000 of 29 May 2000 (the "**EC Insolvency Regulation**") as discussed below). Where the EC Insolvency Regulation does not apply, it is likely to be possible to commence insolvency proceedings in a particular jurisdiction if that is where the Foreign Obligor is incorporated and, in some cases, it may be sufficient that the Foreign Obligor has a place of business or assets in the relevant jurisdiction.

In relation to paragraph (b) above, the extent to which English law insolvency proceedings can be commenced in respect of a Foreign Obligor will be determined by the EC Insolvency Regulation and the Insolvency Act 1986, as amended. The EC Insolvency Regulation governs the opening of insolvency proceedings in respect of a company with its "centre of main interests" in an EU Member State. Accordingly, a key factor in this regard will be the location of the "centre of main interests" of each of the Foreign Obligors for the purposes of the EC Insolvency Regulation. The location of the centre of main interests will be a question of fact in each case; there is a rebuttable presumption that it is in the place of the registered office but this presumption may be rebutted where the company administers its interests on a permanent basis in a manner ascertainable by third parties in another jurisdiction. If the presumption applies and the "centre of main interests" of each of the Foreign Obligors for these purposes is in the place of its registered office the EC Insolvency Regulation would apply in relation to the Foreign Obligors registered in Gibraltar. The Propcos will state in the

Intra-Group Loan Agreement that they will take all steps to ensure that their "centre of main interests" is and remains in Gibraltar and also that they shall not maintain an establishment in any jurisdiction other than Gibraltar.

In relation to paragraph (c) above, under the regulations which implement the UNCITRAL Model Law on Cross Border Insolvency in Great Britain (the "**UNCITRAL Regulations**"), in certain circumstances, a foreign insolvency officeholder appointed in respect of certain foreign insolvency proceedings may apply to the English court for recognition of such proceedings. As the EC Insolvency Regulation prevails over the UNCITRAL Regulations, this is most likely to be relevant where a Foreign Obligor has its centre of main interests outside of the EU. The foreign insolvency proceedings will be recognised (provided certain conditions are met) if commenced in the jurisdiction where the relevant debtor company has its "centre of main interests" or an "establishment" (each of which has a meaning for the purposes of the UNCITRAL Regulations substantially similar to the definition included in the EC Insolvency Regulation). If recognition is granted, a mandatory stay will apply to certain types of creditor action (not extending to security enforcement) in England and Wales. In certain circumstances, the English court may exercise its discretion to impose a wider stay extending to security enforcement (provided that the court must take into account the interests of the secured creditors). In addition, if recognition is provided, then upon application by the foreign officeholder, the English court may make an order in respect of the relevant company applying certain avoidance (including claw-back) provisions of the Insolvency Act, as amended (notwithstanding that there are no corresponding English administration and/or liquidation proceedings or that the English court may not have jurisdiction to commence such proceedings).

### ***Voluntary Arrangements***

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

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

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

However, secondary legislation has been enacted which excludes certain special purpose companies in relation to capital market transactions from the optional moratorium provisions. Such exceptions include (a) a company which is a party to an agreement which is or forms part of a capital market arrangement (as defined in that secondary legislation) under which a

party has incurred or when the agreement was entered into was expected to incur a debt of at least £10 million and which involves the issue of a capital market investment (also defined, but generally a rated, listed or traded bond) and (b) a company which has incurred a liability (including a present, future or contingent liability) of at least £10 million. While the Issuer is of the view that the Issuer should fall within the exceptions, there is no guidance as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. No assurance can be given that any modification of the eligibility requirements for these exceptions will not be detrimental to the interests of Noteholders.

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

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

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

If the fixed security interests are recharacterised as floating security interests, the claims of: (i) the unsecured creditors of the relevant Obligor or, as the case may be, of the Issuer in respect of that part of the Obligor's or, as the case may be, the Issuer's net property which is ring fenced pursuant to section 176A Insolvency Act; and (ii) certain statutorily defined preferential creditors of the relevant Obligor or, as the case may be, the Issuer and (iii) in the event of an administration of such company, an administrator in respect of the expenses of the administration, may have priority over the rights of the Borrower Security Trustee or the Note Trustee, as the case may be, to the proceeds of enforcement of such security.

### **General considerations**

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

The Intercreditor Agreement states that the Borrower Security Trustee (or the Servicer or Special Servicer on its behalf) may, on behalf of the relevant lenders agree to and effect an amendment to any Finance Document or issue any consent thereunder with the consent of the Issuer subject to certain agreed exceptions which also require the consent of the lenders under the B Loan Agreement and/or the C Loan Agreement. For further details of these exceptions please refer to the section headed "Intercreditor Agreement" below. The views of the B Lenders and/or the C Lenders in relation to those amendments, waivers or consents in respect of which its consent must be obtained may differ from those of the Issuer and may delay or prevent the Borrower Security Trustee (or the Servicer or Special Servicer as its agent) from taking action that would be in the interests of the Noteholders.

The Issuer may request the Note Trustee to agree to any modification to, or to give its consent to any event, matter or thing, or grant any waiver in respect of the Issuer Transaction Documents to which it is a party or in respect of which it holds security.

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

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

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

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

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

The Basel Committee on Banking Supervision published the text of the new capital accord on 26 June 2004 under the title *Basel II: International Convergence of Capital Management and Capital Standards: a Revised Framework* (the "**Framework**"). This Framework will serve as the basis for national rule-making and approval processes to continue and for banking organisations to complete their preparations for implementation of the new Framework. The committee confirmed that it is currently intended that the various approaches under the Framework will be implemented in stages, some from year end 2006; the most advanced at year-end 2007. If implemented in accordance with its current form, the Framework could affect risk weighting of the Notes in respect of certain investors if those investors are subject to the new Framework (or any legislative implementation thereof) following its implementation. Consequently, investors should consult their own advisers as to the consequences to and effect on them of the proposed implementation of the new Framework. No predictions can be made as to the precise effects of potential changes which might result if the Framework were adopted in its current form.

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

The UK corporation tax position of the Issuer and the Borrower depends to a significant extent on the accounting treatment applicable to each of them. The accounts of the Issuer and the Borrower are required to comply with the International Financial Reporting Standards ("**IFRS**") or with the new UK Financial Reporting Standards reflecting IFRS ("**new UK GAAP**"). There is a concern that certain companies that prepare their accounts under either IFRS or new UK GAAP, might be required to report profits or losses for accounting purposes, and accordingly for tax purposes (unless tax legislation provides otherwise), which bear little or no relationship to the company's cash position.

However, the Finance Act 2005 (as amended by the Finance Act 2006) requires a "securitisation company" to prepare tax computations for accounting periods ending before 1<sup>st</sup> January 2008 (the "**moratorium period**") on the basis of UK GAAP as applicable up to 31 December 2004, notwithstanding the requirement to prepare statutory accounts under IFRS or new UK GAAP. The Issuer and the Borrower have been advised that each of them should be "securitisation companies" for these purposes.

The stated policy of H.M. Revenue and Customs is that the tax neutrality of securitisation special purpose companies in general should not be disrupted as a result of the transition to IFRS or new UK GAAP and it is working with participants in the securitisation industry to identify appropriate measure of preventing such disruption. The Finance Act 2005 provides for the power on the part of the Treasury to introduce regulations to establish a permanent tax regime for securitisation companies. A draft of such regulations was published on 13 June 2006 and has been the subject of consultation. However, if (for whatever reason) measures are not introduced to deal with the corporation tax position of such companies in respect of their periods of account ending on or after 1 January 2008, the Issuer and the Borrower (like other securitisation companies) may then be required to recognise profits or losses as a result of the application of IFRS or new UK GAAP which could have tax effects not contemplated in the cashflows for the transaction, and as such adversely affect the Issuer and the Borrower and consequently the Noteholders.

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

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

### ***Transparency Directive***

Directive 2004/109/EC of the European Parliament and of the Council of 15 December 2004 on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market and amending Directive 2001/34/EC (the "**Transparency Directive**") entered into force on 20 January 2005. It requires Member States to take measures necessary to comply with the Transparency Directive by 20 January 2007. Should the Transparency Directive, or any legislation implementing the Transparency Directive, impose requirements on the Issuer such that the

Note Trustee considers the maintenance of the listing of the Notes on the Irish Stock Exchange unduly onerous on the Issuer, and further if the Note Trustee is of the opinion that to do so would not be materially prejudicial to the interests of the Noteholders, the Issuer may seek to obtain and maintain a quotation or listing of the Notes on such other stock exchange or exchanges or securities market or markets as the Issuer may (with the prior written approval of the Note Trustee) decide. Although no assurance is made as to the liquidity of the Notes as a result of the listing on the Irish Stock Exchange, de-listing the Notes from the Irish Stock Exchange may have a material effect on the ability to resell the Notes in the secondary market.

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

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

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

## SUMMARY OF PRINCIPAL DOCUMENTS

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

### 1. The Issuer/Borrower Loan Agreement

#### *Issuer/Borrower Loan Agreement*

The Issuer/Borrower Loan Agreement will be made between, among others, the Issuer, the Borrower, the Propcos, the Servicer and the Borrower Security Trustee on or about the Closing Date. Under the terms of the Issuer/Borrower Loan Agreement, the Issuer will advance to the Borrower, on or about the Closing Date, an amount of £264,302,000 (the "**Issuer/Borrower Loan**"), in two tranches: an A1 tranche in an aggregate principal amount of £240,275,000 (the "**A1 Facility**") and an A2 tranche in an aggregate principal amount of £24,027,000 (the "**A2 Facility**"). The Issuer/Borrower Loan will be used by the Borrower to make advances to the Propcos under the Intra-Group Loan Agreement. The Propcos will be a party to the Issuer/Borrower Loan Agreement only for the purpose of giving certain representations and warranties, making covenants in respect of the Properties for the benefit of the Issuer and giving guarantees.

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

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

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

Interest in respect of each of the A1 Facility and the A2 Facility will be payable during the term of the Issuer/Borrower Loan Agreement on each Loan Interest Payment Date commencing with the Loan Interest Payment Date falling in January 2007. The Issuer/Borrower Loan Agreement contains provisions for determining the amount of interest payable on each Loan Interest Payment Date in respect of each of the A1 Facility and the A2 Facility. Interest on the A1 Facility and the A2 Facility will accrue at floating rates. The Borrower will undertake to enter into Swap Transactions with respect to interest payable under the Issuer/Borrower Loan Agreement. Please see "*The Swap Agreements*" below for further detail.

The Borrower will pay to the Issuer on each Loan Interest Payment Date a fee of 0.01 per cent. per annum of the aggregate amount of interest receivable by the Issuer under the Issuer/Borrower Loan and, on the date it falls due, an amount equal to such amounts as are then necessary to enable the Issuer to pay or provide for all amounts

(other than any payments of interest on, and repayments of principal in respect of the Notes) falling due, in accordance with the terms of the Issuer Transaction Documents, to be paid by the Issuer on such date.

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

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

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

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

The Borrower is obliged (on giving ten Business Days notice to the Borrower Security Trustee) to make a prepayment of principal under the Issuer/Borrower Loan Agreement (subject to the terms of the Intercreditor Agreement) on a pro rata basis across the A1 Facility and the A2 Facility in the following circumstances:

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



such insurance proceeds in prepayment of the Loans pro rata on the next Loan Interest Payment Date following receipt of such amount;

- (c) in an amount equal to any other repayment or prepayment it receives from a Propco under the Intra-Group Loan Agreement;

and all prepayments in accordance with paragraphs (a) to (c) (inclusive) above will be deposited into the Cash Collateral Account pending application on the next Loan Interest Payment Date.

In the event of a disposal all proceeds from that disposal are either warehoused in the Cash Collateral Account (for up to 12 months) pending acquisition of a suitable substitute property or they are applied pro rata between the allocated Issuer/Borrower Loan, B Loan and C Loan amount for that Property as a prepayment. On the Closing Date, the allocated loan amounts (the "**Allocated Loan Amounts**") for each Property are approximately 54.7 per cent. for the Issuer/Borrower Loan, a combined Issuer/Borrower Loan and B Loan percentage of approximately 83.1 per cent. and a combined Issuer/Borrower Loan, B Loan and C Loan percentage of approximately 87.6 per cent. of the value of each Property (as determined by the Valuation). The Allocated Loan Amounts will be adjusted to take account of monies released from the Marathon House Account and the Regent Centre Account (see further the sections headed "B Loan Agreement" and "C Loan Agreement" below).

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

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

Subject to the Intercreditor Agreement, in addition to the mandatory prepayment requirements described above, the Borrower may voluntarily prepay the Issuer/Borrower Loan Agreement (in an order as determined by the Borrower) in whole or part on any Loan Interest Payment Date provided that it gives not less than ten Business Days' prior written notice to the Issuer. Any amounts voluntarily prepaid will be applied across the A1 Facility, and the A2 Facility at the discretion of the Borrower.

### ***Bank Accounts***

The Borrower and each Propco will undertake in the Issuer/Borrower Loan Agreement to procure that the Property Manager (i) collects all Rental Income in accordance with the Property Management Agreement and (ii) no later than three Business Days after receipt of the same pay, the Net Rental Income into a rent account (a "**Rent Account**") in the name of the Borrower. The Borrower Security Trustee (and the Servicer acting on its behalf) will have sole signing rights in relation to the Rent Account and will be authorised by each Obligor to withdraw necessary amounts from the Rent Account to meet amounts due under any headlease and prior to each Loan Interest Payment Date, transfer amounts standing to the credit of the

Rent Account to, subject to the satisfaction of certain conditions, the Borrower Transaction Account and apply them in accordance with the Intercreditor Agreement (see below under "*The Borrower Transaction Account*" and "*The Intercreditor Agreement*").

"**Net Rental Income**" is the Rental Income less Key Expenses.

"**Key Expenses**" are those amounts normally payable to a Propco by a tenant under Lease Documents by way of contribution to insurance premiums, the cost of an insurance valuation, any service charge in respect of an Obligor's costs under any repairing or similar obligation, any works carried out to a Property or a Propcos obligation to provide services but which arise as a result of vacancies, special concessions given to a small number of occupiers or for other reasons are not recoverable.

An amount of up to £50,000 may be withheld from the Rental Income payable into the Rent Account in respect of Key Expenses which are due but not yet payable (such sums, "**Expected Expenses**"). If the amount required to be withheld in respect of the Expected Expenses exceeds £50,000 the Borrower must certify to the satisfaction of the Borrower Security Trustee that the Expected Expenses represent amounts in respect of Key Expenses which are due but not payable.

The Borrower will also undertake in the Issuer/Borrower Loan Agreement to maintain a cash collateral account (the "**Cash Collateral Account**") in the name of the Borrower Security Trustee into which all amounts received or receivable by the Propcos or the Borrower: (i) on a disposal of any Property, (ii) on receipt of any proceeds of insurance (save to the extent applied towards reinstatement and/or attributed to loss of rent) or (iii) on receipt of any other payments made to the Borrower under the Intra-Group Loan Agreement or (iv) in relation to the redevelopment of a Property will be deposited in accordance with certain of the provisions of the Issuer/Borrower Loan Agreement relating to Interest Cover mandatory prepayment, voluntary prepayment, disposals of property and redevelopment. In addition, amounts paid by the Borrower to cure a breach of the Interest Cover covenant (to the extent the Borrower is permitted to do so) and (until the next Loan Interest Payment Date) paid by the Borrower in voluntary prepayment or to establish a reserve, will also be deposited to the Cash Collateral Account. The Borrower Security Trustee will ensure that separate ledgers are set up for each of these payments into the Cash Collateral Account.

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

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

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

### ***Hedging Loans***

If on any Calculation Date the Servicer determines that the Borrower has insufficient funds to enable it to pay any amount that it is required to pay under one or more of the Issuer/Borrower Loan Swap Transactions (excluding any termination payments), then the Servicer shall notify the Issuer of such insufficiency on behalf of the Borrower and the Issuer shall utilise the Liquidity Facility to make a loan to the Borrower to enable it to pay such amount (a "**Hedging Loan**"). A Hedging Loan will be repayable on demand on any Loan Interest Payment Date or on or after the date the Note Trustee by notice to the Borrower cancels any outstanding commitments under the Issuer/Borrower Loan Agreement and/or demands that all or part of the Issuer/Borrower Loan together with accrued interest and all other amounts accrued under the Finance Documents become immediately due and payable and/or demands that all or part of the Issuer/Borrower Loan become payable on demand and/or applies any monies standing to the credit of each Obligor Account in or towards repayment of any amount due to the Borrower Secured Creditors under the Finance Documents. A relevant Hedging Loan will bear interest at a rate which is calculated by reference to the cost to the Issuer of funding that Hedging Loan (by making an Income Deficiency Drawing (as defined below) under the Liquidity Facility Agreement) and may only be repaid from monies standing to the credit of the Borrower Transaction Account or from the proceeds of a loan from a subordinated creditor acceptable to the Borrower Security Trustee to the Borrower or otherwise in accordance with the Issuer/Borrower Loan Agreement.

### ***Warranties***

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

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

- (a) status of the Obligor, and that it has power and all necessary and governmental consents to own assets and carry on its business;

- (b) Obligors having the necessary power and authority to enter into the Transaction Documents and have no material contingent liabilities;
- (c) subject to bankruptcy/insolvency laws limiting its obligations, each Transaction Document to which it is a party is its legally binding, valid and enforceable obligation;
- (d) the entry into and performance by it of the Transaction Documents does not conflict with any applicable laws and regulations;
- (e) no Loan Event of Default or potential Loan Event of Default having occurred and no other event outstanding which constitutes a default under any document binding on it/affecting its assets likely to have a Material Adverse Effect;
- (f) except for registration of the Security Documents, all authorisations have been obtained and are in full force and effect;
- (g) except for registration of the Security Documents it is not necessary to file, register or record any Finance Document in any public place or elsewhere;
- (h) the basis of preparation of financial statements;
- (i) no material adverse change in its financial condition;
- (j) no litigation, arbitration or administrative proceedings likely to have a Material Adverse Effect;
- (k) all written information supplied by it or on its behalf to the Issuer, the Borrower Security Trustee, the Valuer and the lawyers who prepared the Report on Title in connection with the Transaction Documents, the Valuation and the Report on Title (as applicable) was true and accurate as at its date; and
- (l) on and from the Closing Date, the Propcos (as applicable) being the sole legal and beneficial owner of their interest in each Property and having good and marketable title to that interest;
- (m) (only on the Closing Date) the Borrower not being required to make any deduction or withholding from any payment under the Borrower Transaction Documents.
- (n) the relevant Obligors not having carried on any business or engaged in any activities and has no material contingent liabilities, other than as described in the Transaction Documents;
- (o) centre of main interests to remain in its jurisdiction of incorporation;
- (p) on and from the Closing Date, any security granted by the Obligors or the Share Mortgagors (as applicable) under or pursuant to the Borrower Security Agreement or the Mortgages of Shares constitutes a security interest of the type described therein over the assets that are the subject of the Borrower

Security Agreement or the Mortgages of Shares and those assets are not subject to any prior *pari passu* security interest;

- (q) all payments made by an Obligor under the Issuer/Borrower Loan Agreement made free of withholding tax;
- (r) no reduction for or on account of tax;
- (s) no filing or stamp taxes;
- (t) ownership of share capital is legally and beneficially owned and controlled;
- (u) no Obligor is insolvent or unable to pay its debts;
- (v) it does not have a defined benefit scheme;
- (w) except as disclosed in the Report on Title each Property is in good and substantial repair and is free of material defects;
- (x) compliance with Environmental law and Environmental Approvals;
- (y) Insurances are in full force and effect;
- (z) substantially all the Occupational Leases are leases that have been completed on a tenants full repairing and insuring basis;

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

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

### ***Undertakings***

The Borrower and the Propcos will undertake not to dispose of any of their assets (and will procure that no Share Mortgagor disposes of its shares in a Propco) except as permitted under the Issuer/Borrower Loan Agreement, the B Loan Agreement, the C Loan Agreement and (if applicable) the Mortgage of Shares. Additional undertakings will include, *inter alia*:

- (a) obligation to obtain, maintain and comply with the terms of any authorisations;
- (b) compliance with laws to which it is subject;
- (c) payment obligations under the Finance Documents rank *pari passu* with all other payment obligations;
- (d) a negative pledge (subject to agreed exceptions) and restrictions on transactions similar to security;

- (e) compliance with the detailed procedure in relation to substitution and disposal of Properties, subject to agreed thresholds;
- (f) subject to specific covenants, no outstanding Financial Indebtedness;
- (g) no lending, guarantees and borrowing (subject to agreed exceptions);
- (h) no carrying on of business or change of business other than as permitted under the Finance Documents;
- (i) centre of main interests to remain in its jurisdiction of incorporation;
- (j) no amalgamation, demerger, merger or reconstruction;
- (k) no acquisition or investment (subject to agreed exceptions);
- (l) no entry into any contracts except Transaction Documents or allowed by the Issuer/Borrower Loan Agreement;
- (m) no declaration, dividend issuance or redemption in respect of its shares;
- (n) subject to the provisions relating to Authority Matters described in the section headed "The Property Management Agreement" below, no material amendment, waiver or surrender of any Lease Document;
- (o) information required for monitoring of Property;
- (p) appointment of Property Manager;
- (p) procuring that insurance is maintained in relation to certain of the Properties (as further described in the section headed "Insurance" below);
- (r) maintenance of authorisations and consents, ranking of liabilities, compliance with environmental law and approvals;
- (s) maintenance of Interest Cover subject to certain cure rights (as described in the section headed "Interest Cover" below);
- (t) undertakings relating to redevelopment of the Properties;
- (u) the provision of information and accounts, notification of default;
- (v) provision of compliance certificates;
- (w) subject to the provisions relating to Authority Matters described in the section headed "The Property Management Agreement" below, granting new Occupational Leases or underleases and alterations to Properties

Certain of these undertakings are subject to grace periods, reasonableness or materiality thresholds. There will not be an undertaking to maintain a particular loan to value ratio.

## ***Interest Cover***

The Borrower covenants to maintain Interest Cover at 110 per cent.

The Borrower may cure a breach of the Interest Cover covenant by voluntarily prepaying a part of the Issuer/Borrower Loan or, no more than once in any four Loan Interest Periods and on no more than two occasions prior to the Loan Maturity Date, by placing an amount on deposit in the Cash Collateral Account that is treated as Net Rental Income for the purposes of an Interest Cover calculation.

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

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

- (a) "**quarterly finance costs**" means as at any Calculation Date the aggregate amount payable to the Issuer under the Issuer/Borrower Loan Agreement (for this purpose replacing the LIBOR element of the interest rate under the Issuer/Borrower Loan with the fixed rate payable by the Borrower under the Swap Agreement and disregarding the principal repayment amounts of the Issuer/Borrower Loan) including the Senior Property Management Fee, all fees for the provision of the Loans and the fees payable to the Servicer and Special Servicer, during the quarterly period ending on the related Calculation Date (or, in the case of a Calculation Date falling three Business Days before a Loan Interest Payment Date, during the quarterly period ending on that Loan Interest Payment Date);
- (b) "**quarterly rental**" means as at any Calculation Date (i) the passing Net Rental Income received by the Propcos (and paid to the Borrower under the Intra-Group Loan Agreement) (ii) the amount comprised in the Operating Reserve during the quarterly period ending on the related Calculation Date (or, in the case of a Calculation Date falling three Business Days before a Loan Interest Payment Date, during the quarterly period ending on that Loan Interest Payment Date) and (iii) in the event of a disposal or warehousing where the Projected Interest Cover is less than the Projected Interest Cover immediately prior to the disposal, the amount placed on deposit in the Cash Collateral Account in respect of the deficit in net rental income (which, for the avoidance of doubt, shall not include the principal amount of the warehoused proceeds) for the relevant period together with any interest accrued thereon; and
- (c) in determining quarterly rental, the Issuer (or the Servicer on its behalf) will exclude or deduct (as the case may be):
  - (i) any Rental Income attributable to any Occupational Lease granted to or vested in the Borrower or any affiliate of the Borrower;
  - (ii) any amounts or shortfall a Propco is obliged to discharge in respect of any part of its Property available for letting due to it being unlet;
  - (iii) any rent or other monies payable in respect of any Headlease; and

- (iv) any amounts (together with any related value added or similar taxes) of service charges with respect to each Property to the extent not fully funded by the tenants under the Lease Documents.

The "**Operating Reserve**" is the amount (not exceeding £50,000) to be paid to the Property Manager each quarter to cover operating costs and expenses relating to management of the Properties not recoverable from tenants and which is acceptable to the Borrower Security Trustee.

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

- (a) "**projected finance costs**" on the Calculation Date means the Servicer's estimate of the aggregate amount payable by the Borrower to the Issuer under the Issuer/Borrower Loan Agreement (for this purpose replacing the LIBOR element of the interest rate under the Issuer/Borrower Loan with the fixed rate payable by the Borrower under the Swap Agreement and disregarding the principal repayment amounts of the Issuer/Borrower Loan) during each quarterly period ending on the fourth Loan Interest Payment Date following the Calculation Date (or, in the case of a Calculation Date falling three Business Days before a Loan Interest Payment Date, during each quarterly period ending on the four Loan Interest Payment Dates following that Loan Interest Payment Date); and
- (b) "**projected rental**" on the Calculation Date means the Servicer's estimate of
  - (i) the Net Rental Income that will be received by the Propcos (and paid to the Borrower under the Intra-Group Loan Agreement) less the fees referred to in section "*Summary of Principal Documents – Property Management Agreement*" payable by the Propcos, in each case during each quarterly period ending on the four Loan Interest Payment Dates following the Calculation Date (or, in the case of a Calculation Date falling three Business Days before a Loan Interest Payment Date, during each quarterly period ending on the four Loan Interest Payment Dates following that Loan Interest Payment Date) and
  - (ii) in the event of a disposal or warehousing where the Projected Interest Cover is less than the Projected Interest Cover immediately prior to the disposal, the amount placed on deposit in the Cash Collateral Account in respect of the deficit in net rental income for the relevant period together with any interest which the Servicer estimates will accrue thereon. For the purposes of making this estimate:
    - (i) it will be assumed that a break clause under any Lease Document will be deemed to be exercised at the earliest date available to the relevant tenant unless:
      - (A) a new Lease Document has been entered into to take effect on the expiry of the notice period for exercise of the relevant break clause upon the same or better rental terms (as determined by the Borrower Security Trustee); or
      - (B) confirmation in form satisfactory to the Borrower Security Trustee (acting reasonably) is received that the break clause will not be exercised;



- (ii) potential Net Rental Income increases as a result of rent reviews will be ignored other than where there are fixed rental increases under the relevant Lease Documents;
- (iii) Net Rental Income payable by a tenant that is in arrears on its rental payments for a period of more than three months on the Calculation Date will be ignored;
- (iv) Net Rental Income will be ignored unless payable under an unconditional and binding Lease Document;
- (v) Net Rental Income will be reduced by the amounts (together with any related VAT) of ground rent, rates, service charges, insurance premia, maintenance and other outgoings with respect to each Property to the extent that any of those items are not fully funded by the tenants under the Lease Documents;
- (vi) any Rental Income attributable to any Occupational Lease granted to or vested in the Borrower or any affiliate of the Borrower will be ignored;
- (vii) any turnover rent will be ignored; and
- (viii) any surrender premia will be ignored.

**"Calculation Date"** means the Closing Date, three Business Days prior to each Loan Interest Payment Date (in the case of which the relevant calculations are calculated as at that Loan Interest Payment Date) and in the case of a disposal (as described in section "*Substitution, Disposal and Alterations of Properties*"), the date of the relevant disposal.

### ***Insurance***

Subject to any contrary provisions of the Occupational Leases (as to which see below and the section headed "Risk Factors – Insurance"), the Issuer/Borrower Loan Agreement provides that the Propcos shall procure that insurance is maintained in respect of the Properties for their full replacement value (i) for all normally insurable risks of loss or damage, (ii) for site clearance and professional fees (with allowance for inflation), (iii) against acts of sabotage and terrorism (to the extent available on commercially reasonable terms in the UK or European market) and (iv) three years loss of rent. The Obligors must also have property owners liability insurance and such other insurances that a reasonable and prudent property owner of similar properties would accept. All insurances must be in a form acceptable to the Issuer and the Borrower Security Trustee (acting reasonably) and with insurance companies or underwriters rated at least A by Fitch and S&P (to the extent insurance is taken out by an Obligor after the Closing Date). In relation to existing insurance, the required rating is the respective rating of the existing insurance providers as they are rated at the Closing Date.)

The Obligors will procure that all such insurances name the Borrower Security Trustee as co-insured (other than any public or third party liability insurance or any claims not exceeding £100,000).

See "**Risk Factors – Insurance**" for special provisions affecting certain of the Properties.

The Issuer/Borrower Loan Agreement will require that proceeds of insurance (other than loss of rent insurance or third party liability insurance) should (except in certain circumstances) be used to make good damage or destruction unless there is a Loan Event of Default following which, to the extent any insurance policy, headlease or occupation lease does not restrict the proceeds of insurance being used to prepay the Loan, such sums may be used in or towards the prepayment of the Loan.

The Issuer's beneficial interest in the Obligor Security (which includes the benefit of the buildings insurance policies) will form part of the Issuer Security charged to the Note Trustee for the benefit of, *inter alios*, the Noteholders under the Issuer Deed of Charge.

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

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

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

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

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

The Issuer/Borrower Loan Agreement contains a number of events of default (each, a "**Loan Event of Default**") which fall into two main categories, namely those which are unqualified (such as events of default for non-payment or insolvency of an Obligor) and those which, to constitute an event of default, must have a material adverse effect ("**Material Adverse Effect**") on (a) the ability of an Obligor to perform its payment obligations under any Finance Document or comply with the Interest Cover Covenant; or (b) the validity or enforceability of any Finance Document. It is a Loan Event of Default for the Borrower to breach the provisions of certain undertakings including Interest Cover covenant described in "*Undertakings*" above. The events of default include the following:

- (a) non-payment under a Finance Document;
- (b) breach of other obligations;
- (c) a material misrepresentation or warranty made or repeated in any Finance Document;
- (d) cross-default (including in connection with the Intra-Group Loan Agreement);
- (e) insolvency of an Obligor;
- (f) insolvency proceedings occur in respect of an Obligor;

- (g) any creditors process affects the assets of an Obligor;
- (h) cessation of business;
- (i) it becomes unlawful to perform obligations under the Finance Documents or the Finance Documents cease to be effective;
- (j) any Property is compulsorily purchased;
- (k) any part of any Property is destroyed or damaged;
- (l) forfeiture or irritancy proceedings are commenced in relation to a Headlease.
- (m) ownership of share capital ceases to be legally and beneficially owned and controlled;
- (n) an event/series of events occurs which is likely to have a material adverse change; and
- (o) occurrence of a Note Event of Default.

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

## 2. **B Loan Agreement**

The B Loan Agreement will be made between, *inter alios*, the Borrower, the Propcos, the Borrower Security Trustee and the B Lender on or about the Closing Date. Under the terms of the B Loan Agreement, the B Lender will advance to the Borrower, on or about the Closing Date, an amount of approximately £141,815,000 (the "**B Loan**" and the "**B Facility**") in four tranches of which approximately £4,860,000 will be deposited into the Marathon House Account. The remainder of the B Loan will be used by the Borrower to make advances to the Propcos under the Intra-Group Loan Agreement.

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

### ***Marathon House Advances***

On the Closing Date, the B Lender and the C Lender will each will make an advances which in aggregate will equal approximately £5,625,000 (the "**B Loan Marathon House Advance**" and the "**C Loan Marathon House Advance**", respectively and each a "**Marathon House Advance**"). The Borrower will be required to deposit the Marathon House Advances in an escrow account (the "**Marathon House Account**") to which only the Borrower Security Trustee will have

signing rights. For a period ending on the second anniversary of the Closing Date, the Borrower Security Trustee will be entitled to release certain specified amounts from the Marathon House Account which in aggregate are expected to be approximately £5,300,000 to the Borrower for payment of costs associated with the works provided that prior to each such release the Borrower satisfies certain criteria in relation to the specification and progress of the works. The Borrower Security Trustee will also withdraw sufficient sums from the Marathon House Account on each Loan Interest Payment Date under the B Loan Agreement and the C Loan Agreement to pay interest accrued on the Marathon House Advances. The remainder of the Marathon House Advances will be released to the Borrower upon completion of the works provided that the Borrower Security Trustee receives, among other things, an Occupational Lease on substantial similar or better terms than the existing Occupational Lease and a valuation from the Valuer confirming that the market value of the Property is at least equal to the market value agreed on or about the Closing Date (the "**Expected Market Value**").

If the valuation indicates that the market value is less than the Expected Market Value, the Borrower will be required to immediately prepay the B Loan and the C Loan in an aggregate amount equal to 75 per cent. of the difference of the Expected Market Value plus the market value shown in the Valuation less the new market value.

Any interest earned on the Marathon House Advances whilst on deposit in the Marathon House Account will, prior to the occurrence of a Senior Material Default, be paid to the Borrower. After the occurrence of a Senior Material Default, the Marathon House Advances will be applied to prepay the B Loan and the C Loan pro rata and any interest on the Marathon House Account will be applied in accordance with the terms of the Intercreditor Agreement.

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

The B Loan Agreement will be governed by English law.

### **3. C Loan Agreement**

The C Loan Agreement will be made between, *inter alia*, the Borrower, the Propcos, the Borrower Security Trustee and the C Lender on or about the Closing Date. Under the terms of the C Loan Agreement, the C Lender will advance to the Borrower, on or about the Closing Date, an amount of approximately £24,152,000 (the "**C Loan**" and the "**C Facility**") of which approximately £740,000 will be deposited in the Marathon House Account and approximately £1,700,000 will be deposited in the Regent Centre Account. The C Loan will be used by the Borrower to make advances to the Propcos under the Intra-Group Loan Agreement.

#### ***Amortisation Targets***

The C Loan Agreement will provide principal to repaid up to set target amounts from the funds available for distribution in accordance with paragraph (m) of the Pre-Material Senior Default Priority. The aggregate amount by which the C Loan may amortise in accordance with such provisions prior to the Loan Maturity Date will be

approximately £7,245,000. It will not be an event of default under the C Loan Agreement if no funds are available to be applied towards repayment of principal in accordance with these provisions.

### ***Regent Centre Advances***

On the Closing Date, the C Lender will make an advance which will equal approximately £1,700,000 (the "**Regent Centre Advance**"). The Borrower will be required to deposit the Regent Centre Advance in an escrow account (the "**Regent Centre Account**") to which only the Borrower Security Trustee will have signing rights. For a period ending on the first anniversary of the Closing Date, the Borrower Security Trustee will be entitled to release the amounts held in the Regent Centre Account to the Borrower if Regent Centre Limited enters into a new lease of the Regent Centre on substantially the terms specified in the C Loan Agreement. The Borrower Security Trustee will also withdraw sufficient sums from the Regent Centre Account on each Loan Interest Payment Date under the C Loan Agreement to pay interest accrued on the Regent Centre Advance.

If the release criteria in the C Loan Agreement are not satisfied on completion of the new occupational lease or if the new occupational lease is not entered into before the first anniversary of the Closing Date, the Borrower will be required to immediately prepay the C Loan in an amount equal to the principal amount of the Regent Centre Advance.

Any interest earned on the Regent Centre Advance whilst on deposit in the Regent Centre Account will, prior to the occurrence of a Senior Material Default, be paid to the Borrower. After the occurrence of a Senior Material Default, the Regent Centre Advance will be applied to prepay the C Loan and any interest on the Regent Centre Account will be applied in accordance with the terms of the Intercreditor Agreement.

The C Loan Agreement will reflect substantially the same terms as disclosed under "*B Loan Agreement*".

The C Loan Agreement will be governed by English law.

## **4. The Intra-Group Loan Agreement**

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

Under the terms of the Intra-Group Loan Agreement, the Borrower will advance to the Propcos, on or about the Closing Date, an aggregate amount of approximately £430,269,000. Interest owing on the loans made available pursuant to the Intra-Group Loan Agreement will accrue interest at a fixed rate.

On or about the Closing Date the Borrower will also make an additional payment under the Intra Group Loan Agreement to the Propcos which will be applied to make

payments due from another entity forming part of the Fordgate Group to the Swap Counterparty in respect of the novation of certain existing interest rate swap transactions to the Borrower. To reflect this payment the fixed rate of interest payable under the Intra Group Loan Agreement is higher than it would otherwise have been.

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

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

## 5. Intercreditor Agreement

The Intercreditor Agreement will be made between, *inter alios*, the Issuer, the B Lender, the C Lender, the Borrower Security Trustee, the Swap Counterparty, each Obligor and each Share Mortgagor and will, *inter alia*, govern the relationship between the Issuer as Lender under the Issuer/Borrower Loan Agreement, the B Lender under the B Loan Agreement and the C Lender under the C Loan Agreement. The Issuer/Borrower Loans, the B Loans and the C Loan will be secured equally by the Obligor Security.

It is currently anticipated that on the Closing Date there will only be one Lender under each of the Loan Agreements however the Intercreditor Agreement allows for purchasers of all or part of any Loan to accede to the Intercreditor Agreement as new lenders and as such contains provisions for certain decisions to be taken by majority lenders in circumstances where there are multiple lenders under one or more of the Loan Agreements. Certain other significant decisions may however only be taken if all or substantially of the Lenders at that time agree and in particular the matters referred to in paragraphs (a) to (u) inclusive in the section headed "Waivers and Modifications " below will be subject to the consent of all of the Lenders provided that for so long as there are four tranches of the B Loan, the Lenders of the three highest ranking tranches will be required to act jointly and by a majority in exercising this right. The Intercreditor Agreement will also provide for the four tranches of the B Loan to be ranked sequentially after the occurrence of Material Senior Default.

### ***Ranking***

The Intercreditor Agreement will provide that subject to its terms amounts owing in respect of the Issuer/Borrower Loans will rank in priority to amounts owing in respect of the B Loans which will rank in priority to amounts owing in respect of the C Loan. However, any increase in the amount of the debt under the Issuer/Borrower Loan Agreement such that it exceeds the commitment of the Issuer less the amount of any permanent repayment, prepayment or cancellation of the Issuer/Borrower Loan will rank behind the initial amount of the debt under the B Loan Agreement and the C Loan Agreement (such increase the "**Excess Senior Debt**"). Any increase in the amount of debt under the B Loan Agreement such that it exceeds the commitment of the B Lender less the amount of any permanent repayment, prepayment or cancellation of the B Loan will rank behind the debt under the Issuer/Borrower Loan Agreement (including and Excess Senior Debt) and behind the initial amount of the debt under the C Loan Agreement (the amount of such increase, the "**Excess B**

**Debt**"). Any increase in the amount of debt under the C Loan Agreement such that it exceeds the commitment of the C Lender less the amount of any permanent repayment, prepayment or cancellation of the C Loan will rank behind the debt under the Issuer/Borrower Loan Agreement (including and Excess Senior Debt) and the debt under the B Loan Agreement (including the Excess B Debt) (the amount of such increase, the "**Excess C Debt**" and together with the Excess Senior Debt and the Excess B Debt, the "**Excess Debt**" is a reference to one or more of the Excess Senior Debt, the Excess B Debt and the Excess C Debt).

For the purposes of determining whether there is any Excess Debt in respect of a Loan there will be disregarded any increase in principal amount of the relevant Loan caused by the roll-up or capitalisation of interest or reasonable fees or expenses (including but not limited to senior expenses but without double counting principal) of or relating to the debt under the relevant Loan (other than Excess Debt already outstanding in respect of such Loan). No Lender may incur Excess Debt without the consent of the other Lenders.

### ***Payment Priorities***

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

### ***Principal payments***

Any voluntary prepayment of the Loans shall, prior to the occurrence of a Material Senior Default, be applied at the discretion of the Borrower across the Loans in accordance with the terms of each Loan Agreement.

Any mandatory prepayment of the Loans using disposals proceeds, insurance proceeds or sums received from the Inter Group Loan Agreement shall, prior to the occurrence of a Material Senior Default, be applied pro rata across the Loans in accordance with the terms of each Loan Agreement.

Prior to the occurrence of a Material Senior Default, the C Lender will be entitled to receive by way of principal repayment the amount available on each Loan Interest Payment Date pursuant to items (m) and (s) of the Pre-Material Default Priority up to but not exceeding the Aggregate Target Amount for such date.

### ***Payments prior to a Material Senior Default***

If no Material Senior Default has occurred and remains outstanding (or would have occurred if amounts had been applied in accordance with the Pre-Material Senior Default Priority), all amounts received in respect of the Finance Documents including amounts standing to the credit of the Borrower Transaction Account will, subject to

the provisions relating to principal payments described above, be applied in the following order (the "**Pre-Material Senior Default Priority**"):

- (a) **first**, any amounts payable by the Borrower in respect of any corporation tax for which the Borrower is primarily liable under the laws of any jurisdiction;
- (b) **second**, in or towards payment of any unpaid fees, costs and expenses of any creditor under the Finance Documents (other than any amounts payable by the Borrower to the Issuer in respect of the reimbursement of any Liquidity Subordinated Amounts);
- (c) **third**, in or towards payment of any amount due but unpaid under any Headlease;
- (d) **fourth**, in or towards payment of all fees, costs and expenses of the Servicer or Special Servicer under the Servicing Agreement;
- (e) **fifth**, in or towards payment of any amount due but unpaid under the Interest Rate Swap to a Swap Counterparty including any termination payment that has been deferred in accordance with the B Loan Agreement and the C Loan Agreement but excluding any amounts due but unpaid under the Interest Rate Swap to a Swap Counterparty in respect of Swap Subordinated Amounts;
- (f) **sixth**, in or towards payment of:
  - (i) first, accrued interest due but unpaid on the Hedging Loans; and
  - (ii) second, the due but unpaid principal of the Hedging Loans;
- (g) **seventh**, in or towards payment of any accrued interest due but unpaid under the Finance Documents other than default interest;
- (h) **eighth**, in or towards payment of any fees (other than any Junior Management Fee or Deferred Management Fee) due but unpaid to the Property Manager under the Property Management Agreement;
- (i) **ninth**, other than specifically referred to below, in or towards payment of any other amounts due but unpaid under the Finance Documents (except the Finance Documents relating to the C Loan);
- (j) **tenth**, in or towards payment of any tax attributable to a B Lender under the B Loan Agreement;
- (k) **eleventh**, in or towards payment of any increased cost attributable to a B Lender under the B Loan Agreement;
- (l) **twelfth**, in or towards payment to the Borrower Security Trustee for application against any cure payments (and interest thereon) that have not already been repaid;



- (m) **thirteenth**, in or towards payment or prepayment of the principal amount of the C Loan, until the C Loan has been repaid on the relevant date by an amount equal to the Aggregate Target Amount for such date;
- (n) **fourteenth**, in or towards payment of any Junior Management Fee or Deferred Management Fee, as that term is defined in the Property Management Agreement due but unpaid to the Property Manager under the Property Management Agreement;
- (o) **fifteenth**, in or towards any default interest due but unpaid on the Issuer/Borrower Loan;
- (p) **sixteenth**, in or towards any default interest due but unpaid on the B Loan;
- (q) **seventeenth**, in or towards any default interest due but unpaid on the C Loan;
- (r) **eighteenth**, in or towards payment of any amounts payable by the Borrower to the Senior Lender in respect of the reimbursement of any Liquidity Subordinated Amounts
- (s) **nineteenth**, other than as referred to in (t) and (u) below, in or towards payment of any other amounts due but unpaid of the C Loan finance documents;
- (t) **twentieth**, in or towards the payment of any Tax attributable to a C Lender under the C Loan Agreement;
- (u) **twenty-first**, in or towards the payment of any increased costs attributable to a C Lender under the C Loan Agreement;
- (v) **twenty-second**, in or towards payment of any amount due but unpaid under the Interest Rate Swap to a Swap Counterparty in respect of Swap Subordinated Amounts; and
- (w) **twenty-third** the balance to the General Account.

***Payments following a Material Senior Default***

Following a Material Senior Default (that has occurred or remains outstanding), all amounts received from the Borrower and the proceeds of enforcement of any security will be applied as follows (the "**Post Material Senior Default Priority**"):

- (a) **first**, in or towards any fees, costs and expenses incurred by the Note Trustee, the Borrower Security Trustee, and any receiver (or equivalent in another jurisdiction), attorney or agent appointed under the Finance Documents or, to the extent payable by the Borrower under the Issuer/Borrower Loan Agreement any other person appointed to undertake any functions in connection with the Transaction Documents (other than any amounts payable by the Borrower to the Issuer in respect of the reimbursement of any Liquidity Subordinated Amounts);

- (b) **second**, in or towards the payment of any amount due but unpaid under any Headlease;
- (c) **third**, in or towards payment of all fees, costs and expenses of the Servicer or the Special Servicer under the Servicing Agreement;
- (d) **fourth**, in or towards payment of any due but unpaid fees, costs and expenses of any Senior Creditor and (to the extent incurred in taking action requested by the Borrower Security Trustee) any B Creditor and any C Creditor, in each case in connection with any enforcement of the Obligor Security;
- (e) **fifth**, in or towards payment of any amount due but unpaid under the Interest Rate Swap to a Swap Counterparty including any termination payment that has been deferred in accordance with the B Credit Agreement (to the extent any such payment is applicable) but excluding any amounts due but unpaid under the Interest Rate Swap to a Swap Counterparty in relation to Swap Subordinated Amounts;
- (f) **sixth**, in or towards payment of:
  - (i) accrued interest due but unpaid on the Hedging Loans; and
  - (ii) the due but unpaid principal of the Hedging Loans;
- (g) **seventh**, in or towards payment of any Senior Management Fees due but unpaid to the Property Manager under the Property Management Agreement;
- (h) **eighth**, in or towards payment of any accrued interest due but unpaid on the Issuer / Borrower Loan (other than the Excess Senior Debt) other than default interest;
- (i) **ninth**, in or towards payment of any principal amount due but unpaid on the Issuer / Borrower Loan (other than the Excess Senior Debt);
- (j) **tenth**, in or towards repayment of the principal amount of any cure payments (and interest thereon) that have not already been repaid in whole or in part in accordance with the Intercreditor Agreement;
- (k) **eleventh**, in or towards payment of any due but unpaid fees, costs and expenses of any B Creditor (to be applied in order of seniority among the B Creditors)
- (l) **twelfth**, in or towards payment of any accrued interest due but unpaid on the B Loan other than default interest (other than Excess B Debt) (to be applied in order of seniority among the B Loan tranches);
- (m) **thirteenth**, in or towards payment of any principal amount due but unpaid of the B Loan (other than Excess B Debt) (to be applied in order of seniority among the B Loan tranches);
- (n) **fourteenth**, in or towards payment of any due but unpaid fees, costs and expenses of any C Creditor;

- (o) **fifteenth**, in or towards payment of any accrued interest due but unpaid on the C Loan other than default interest (other than Excess C Debt);
- (p) **sixteenth**, in or towards payment of any principal amount due but unpaid of the C Loan (other than Excess C Debt);
- (q) **seventeenth**, in or towards payment of any Junior Management Fees or Deferred Management Fees due but unpaid to the Property Manager under the Property Management Agreement;
- (r) **eighteenth**, in or towards any default interest due but unpaid on the Issuer/Borrower Loan;
- (s) **nineteenth**, in or towards any default interest due but unpaid on the B Loan (to be applied in order of seniority among the B Loan tranches);
- (t) **twentieth**, in or towards any default interest due but unpaid on the C Loan;
- (u) **twenty-first**, in or towards payment of any amount due but unpaid under the Interest Rate Swap to a Swap Counterparty in respect of Swap Subordinated Amounts;
- (v) **twenty-second**, in or towards payment of any amounts payable by the Borrower to the Senior Lender in respect of the reimbursement of any Liquidity Subordinated Amounts;
- (w) **twenty-third**, in or towards payment of the Excess Senior Debt;
- (x) **twenty-fourth**, in or towards payment of the Excess B Debt in relation to each tranche of the B Loan (to be applied in order of seniority among the B Loan tranches);
- (y) **twenty-fifth**, in or towards payment of the Excess C Debt; and
- (z) **twenty-sixth**, the payment of the surplus (if any) to the relevant Obligor or other person entitled to it.

The Intercreditor Agreement includes provisions that apply following a Material Senior Default for holding default interest and amounts that would have been paid to the B Lender and the C Lender in an escrow account (the "**Escrow Account**") held with a bank with the Requisite Ratings.

If the relevant Material Senior Default has been remedied or waived and no insolvency Loan Event of Default has occurred and is outstanding or if no enforcement action has been taken within the period of 90 days following the occurrence of the Material Senior Default which remains outstanding (the "**Release Conditions**") then the Borrower Security Trustee will apply the amounts in the Escrow Account other than default interest (and interest accrued thereon) in accordance with the Pre-Material Senior Default Priority. If no Release Conditions can not be satisfied, the Borrower Security Trustee will apply such amounts in the Escrow Account accordance with the Post Material Senior Default Priority

Whether or not the Release Conditions are satisfied, any surplus amounts representing interest that has accrued on the amounts standing to the credit of the Escrow Account which remain after the application of the amounts by the Borrower Security Trustee shall be paid to the B Lender and C Lender pro rata in proportion to the amount held in the Escrow Account in respect of the B Loan and the C Loan.

### ***Purchase Rights***

At any time after (a) the occurrence of a payment event of default (other than a payment event of default caused by the blocking of an account in consequence of another event of default) or insolvency default under the B Loan Agreement or the C Loan Agreement or (b) any enforcement action having been taken or a Special Servicer has been appointed in respect of the Issuer/Borrower Loan or (c) a Control Valuation Event has occurred in respect of the B Lender or the C Lender (each such event, a "**Purchase Event**") the B Lender or the C Lender may elect to acquire the Issuer/Borrower Loan (including a transfer of any hedging arrangements but excluding any Excess Senior Debt) at par plus accrued interest (excluding default interest (to the extent that the has been received or accrued by the Issuer), but excluding prepayment fees) together with any amount certified by the Issuer as necessary to compensate it for any breakage or funding costs incurred by it as a result of the transfer to the extent that these are capable of being claimed from the Borrower pursuant to the Issuer/Borrower Loan Agreement and any reasonable administrative or other costs incurred in connection with the transfer. Within 60 days of the relevant Purchase Event a B Lender will have a prior entitlement, ahead of each other C Lender to purchase the Issuer/Borrower Loans unless the relevant Purchase Event relates solely to the non-payment of an amount due to a C Lender, in which case the C Lender will have a prior entitlement ahead of the B Lender.

A "**Control Valuation Event**" in relation to the C Lender will occur if the outstanding principal amount of the C Loan minus the Value Reduction Amount is less than 25 per cent. of the outstanding principal amount of the C Loan.

A "**Control Valuation Event**" in relation to the B Lender will occur if the outstanding principal amount of the B Loan minus the Value Reduction Amount is less than 25 per cent. of the outstanding principal amount of the B Loan.

A "**Value Reduction Amount**" will be an amount equal to the excess of:

the aggregate of:

- (a) (i) outstanding aggregate principal balance of the Loans less the aggregate amounts standing to the credit of the Accounts or the escrow account (but without double counting);
- (ii) all unpaid interest on the Loans (excluding default interest); and
- (iii) all taxes, insurance premiums and ground rents (if applicable) then due but unpaid (net of any amount held in escrow on account of such item),

over

- (b) an amount equal to 90 per cent. of the value of the Properties as determined from the most recent Valuation.

### ***Cure Rights***

Upon the occurrence of any event of default in relation to any Loan or potential event of default (other than certain events of default relating to insolvency) which is remediable within the relevant Grace Period (a "**Remediable Default**"), the B Lender or C Lender may remedy such Remediable Default within the relevant Grace Period. A "**Grace Period**" will commence upon delivery of a notification of a Remediable Default to the B Lender's representative and C Lender's representative and subject as provided below will end.

- (i) in the case of a payment Remediable Default three Business Days after the expiry of any applicable grace period for the Borrower to remedy that payment Remediable Default; and
- (ii) in the case of all other Remediable Defaults: on the later of (i) 25 Business Days after the delivery of such notice and (ii) three Business Days after the expiry of any applicable grace period for the Borrower to remedy that Remediable Default.

The Issuer will delay taking any enforcement action during such Grace Periods unless it has been notified that the B Lender and the C Lender do not wish to exercise their respective cure rights.

The B Lender and the C Lender will each be entitled to exercise their cure rights in the case of a Remediable Default which relates to the non-payment of any interest or principal by making a payment to the relevant Lender(s) and in the case of a Remediable Default that is a breach of the Interest Cover covenant by either

- (i) prepaying the Issuer/Borrower Loan to ensure compliance with the Interest Cover covenant, and make all other related payments in respect of the Issuer/Borrower Loan which the Borrower would have had to make as a result of such prepayment had the Borrower made the prepayment itself; or
- (ii) placing a deposit in a deposit account (the "**Cure Loan Deposit Account**") of such an amount that, if the interest which would have accrued on that amount (at the then rate of interest payable on the Cure Loan Deposit Account) during the relevant test period had been treated as net rental income for the purposes of the Interest Cover covenant, the Borrower would have been in compliance with that test; provided that such amount shall remain on deposit in the Cure Loan Deposit Account for so long as a breach of the Interest Cover covenant would occur if such amount were not deposited in the Cure Loan Deposit Account; or
- (iii) placing a deposit in the Cure Loan Deposit Account an amount equal to the additional amount of net rental income which would have been required to

have been received by the Issuer to ensure that the Borrower could have complied with its obligations under the Interest Cover covenant.

Any amount deposited in the Cure Loan Deposit Account by the B Lender or the C Lender (a "**Cure Loan**") shall receive interest at the default rate specified in the Intercreditor Agreement as applicable to B Loan or, if the deposit is made by the C Lender, the C Loan. The obligation to pay interest in respect of a Cure Loan or other cure payment will be limited in recourse to the interest accruing on and attributable to any deposit made pursuant to the Cure Loan (but excluding a deposit made pursuant to paragraph (ii) above) and the default interest on the cured Loan actually paid by, or in the case of default interest, recovered from the Obligors and if payable shall be paid to the Lender which made the deposit in accordance with Pre Material Senior Default Priority or Post Material Senior Default Priority (as applicable).

Any B Lender will have a prior entitlement, ahead of each other C Lender to cure the Remediable Default within the applicable Grace Period. If the B Lender does not intend to exercise its right it must inform the C Lender within two Business Days from (and including) the date of receipt of the notification of a Remediable Default.

There will be a limit on the number of times that a payment Remediable Default or Interest Cover Remediable Default can be cured, so that the cure right may not be exercised on more than two consecutive occasions in any one 12 month period and no more than six times during the term of the Issuer/Borrower Loan Agreement. There will be no limit on curing other Remediable Defaults. Each time an event of default is cured such cure will count as one occasion, provided that where advances and/or payments (as the case may be) are made on the same day, such advances and/or payments shall be treated as one occasion.

### ***Waivers and Modifications***

The Borrower Security Trustee may, on behalf of the Lenders, amend or waive a term of, or give a consent under, a Finance Document if:

- (i) agreed to or instructed by the Issuer; or
- (ii) the amendment, waiver or consent is made in accordance with the relevant Finance Document and is a procedural, administrative or other change arising in the ordinary course of administration of the relevant facility and is not material, provided that no Party may amend or waive any term of, or give a consent under, any Finance Document in a manner or to an extent which would result in:
  - (a) any change to the date of payment of any amount to any creditor under the Finance Documents;
  - (b) a change in the Margin or a change in the amount of any payment of principal, interest, fee or other amount payable to a creditor under the Finance Documents;
  - (c) any waiver or change in relation to the rate of default interest;

- (d) a change to the currency of any amount payable under the Finance Documents;
- (e) any change to the basis upon which a payment is calculated in accordance with the original provisions of that Finance Document;
- (f) an increase in, or an extension of, a Commitment;
- (g) a release of an Obligor, or the giving of a consent, otherwise than in accordance with the terms of the Finance Documents;
- (h) a release of any Obligor Security (including by way of substitution of any other Obligor Security) other than in accordance with the terms of the Finance Documents;
- (i) any change to the rights of a creditor against another creditor or to the priority or subordination achieved or intended to be achieved by the Intercreditor Agreement;
- (j) any change to the right of a Lender to assign or transfer its rights or obligations under the Finance Documents;
- (k) any material change to insurance covenants in any of the Loan Agreements;
- (l) any change to the information covenants, the disposals and substitution covenants and the restrictions on entry into other contracts contained in any of the Loan Agreements or the Interest Cover covenant in the Issuer/Borrower Loan Agreement;
- (m) any sale or transfer of a Property (or of ownership rights in respect thereof) other than as permitted by the Finance Documents;
- (n) action to bring any Property into compliance with environmental laws to the extent that all creditors are required to agree to the relevant amendment, waiver or consent under applicable environmental laws or by any relevant regulatory authority;
- (o) any incurrence of financial indebtedness by an Obligor other than as permitted by the Finance Documents;
- (p) any creation of any security interest by an Obligor over any of its assets other than as permitted by the Finance Documents;
- (q) any execution, termination, renewal or material modification to any Lease Document under which the annual Rental Income is greater than £100,000 save as permitted by the Finance Documents;
- (r) any change having a material effect on the operation of Accounts or the collection of Rental Income save as permitted by the Finance Documents;

- (s) any change to any fee or other amounts payable to the Property Manager under the Property Management Agreement;
- (t) a waiver of, or an extension of a grace period in respect of, a Material Senior Default; or
- (u) a material amendment or waiver of, or material consent (other than a consent contemplated under the Finance Documents) under the provision of a Finance Document that creates or evidences the creation of the Obligor Security,

unless the amendment, waiver or consent is agreed to by all of the Lenders within 45 days of receipt by the Lenders of a request for agreement to such amendment, waiver or consent.

The rights of the B Lender or as the case may be, the C Lender in respect of the matters referred to in paragraphs (l) to (u) above will not apply if a Control Valuation Event occurs in respect of the B Lender or, as the case may be, the C Lender.

### ***Enforcement Action***

Neither the B Lender nor the C Lender will have any right to direct the Servicer or the Borrower Security Trustee to accelerate or take enforcement action unless: (i) the relevant Loan Event of Default is still outstanding at the end of a 90 day period (for a payment Loan Event of Default), a 120 day period (for a Loan Event of Default relating to Interest Cover) or 150 days (for any other Loan Event of Default) and the market value of the Property is greater than 120 per cent. of all liabilities owing in respect of the Finance Documents and is sufficient to cover the C Debt in full, or if it is insufficient and the C Lender consents to such enforcement action (determined by reference to the most recent valuation or if requested by a Lender, a new valuation at the cost of that Lender prepared by a valuer who is a member of the Royal Institution of Chartered Surveyors selected in accordance with the Intercreditor Agreement); or (ii) payment of all liabilities in respect of the Finance Documents has been accelerated.

The rights of the C Lender to accelerate or to late enforcement will be substantially the same as those described in relation to the B Lender above except that both the B Loans and the Issuer/Borrower Loans must be accelerated.

## **6. The Security Agreements**

### ***The Borrower Security Agreement***

To secure the obligations of each Obligor under the Finance Documents, the Borrower and each Propco will on and from the Closing Date grant security over its assets and undertakings pursuant to the Borrower Security Agreement. The Borrower Security Agreement and (in relation to the Scottish Properties) the Standard Securities and the Scottish Rental Assignations are expressed to create the following security (the "**Borrower Security**" and, together with the Share Mortgagor's Security (as defined below), the "**Obligor Security**") over the assets of the Borrower and each Propco in favour of the Borrower Security Trustee on trust for itself and the Issuer,



the B Lender, the C Lender, the Servicer, the Special Servicer and the Swap Counterparty, (the "**Borrower Secured Creditors**") over all of its properties, assets and undertakings:

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

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

### ***The Mortgage of Shares***

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

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

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

The Mortgage of Shares will also contain a number of representations and covenants from the Share Mortgagors including an undertaking in connection with the disposal

of the relevant shares in the Propcos in accordance with the terms of the Finance Documents (see further "*Substitution, Disposal and Alterations of Properties*" below).

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

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

The Borrower Security Agreement and the Mortgage of Shares will be governed by English law except for those Mortgage of Shares which relate to Propcos incorporated in Gibraltar which will be governed by the laws of Gibraltar and certain provisions in the Borrower Security Agreement expressed to be governed by Scots law. The Standard Securities and the Scottish Rental Assignations will be governed by Scots law.

## **7. Intra-Group Subordinated Loan Agreement**

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

Under the Intra-Group Subordinated Loan Agreement, each Propco may also make an advance to the Fordgate Intermediate Co. on any Loan Interest Payment Date provided that on such date all of the Propcos have made all of the payments they are required to make under the Intra-Group Loan Agreement.

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

## **8. The Issuer Deed of Charge**

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

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

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

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

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

The proceeds of enforcement of the security constituted by the Issuer Deed of Charge will be applied in accordance with the order of application of payments specified in the Post-Acceleration Priority of Payments.

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

## **9. The Account Bank Agreement**

The Issuer, the Borrower, the Cash Manager, the Calculation and Reporting Agent, the Servicer and the Special Servicer, the Note Trustee and the Borrower Security Trustee will enter into an Account Bank Agreement (the "**Account Bank Agreement**") with HSBC Bank plc, acting through its office at 8 Canada Square, London, E14 5HQ, on or about the Closing Date in connection with the maintenance of certain banking arrangements for the Issuer, the Borrower and the Propcos and the waiver by the Account Bank of all rights of set-off in relation thereto.

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

The Account Bank has been assigned short-term credit ratings of F1+ and A-1+ from Fitch and S&P respectively and long-term credit ratings of AA- and AA- from Fitch and S&P respectively.

If the Account Bank ceases to have the Requisite Ratings, the Issuer and the Borrower will be obliged to transfer the Issuer Accounts and the Borrower Accounts to a bank with the Requisite Ratings.

### ***The Borrower Accounts***

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

### ***The Issuer Accounts***

The Issuer will establish a transaction account with the Account Bank (the "**Issuer Transaction Account**") and, in the circumstances described in "*The Liquidity Facility Agreement*" below, will establish a stand-by account either with the Account Bank or with the Liquidity Facility Provider into which the Stand-by Loan is to be deposited. The Issuer will also establish an account with the Account Bank (the "**Issuer Share Capital Account**") into which it will deposit an amount equal to its paid up share capital on or prior to the Closing Date. The Issuer Transaction Account, the Issuer Share Capital Account and the Stand-by Account are referred to herein as the "**Issuer Accounts**".

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

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

The Account Bank Agreement will be governed by English law.

## **10. Cash Management Agreement**

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

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

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

The appointment of each of the Cash Manager and the Calculation and Reporting Agent under the Cash Management Agreement may be terminated by its resignation or its removal by the Issuer and the Note Trustee or (following a Loan Acceleration Notice or a Note Acceleration Notice) by the Note Trustee or following the occurrence of certain events including a failure by the Cash Manager or the Calculation and Reporting Agent to perform its duties under the Cash Management Agreement or an insolvency related event in relation to the Cash Manager or the Calculation and Reporting Agent. However, the appointment of either the Cash Manager or the Calculation and Reporting Agent shall not be terminated until a replacement cash manager or the calculation and reporting agent has been appointed.

The Issuer shall appoint a replacement Cash Manager or the Calculation and Reporting Agent approved by the Note Trustee in the event that the appointment of the Cash Manager or Calculation and Reporting Agent is terminated.

Pursuant to the Cash Management Agreement, the Cash Manager has agreed, among other things, to act as agent for the Issuer in the performance of certain cash management services in relation to monies standing to the credit of the Issuer Accounts and the Calculation and Reporting Agent has agreed to act for the Issuer in the performance of certain calculation and reporting services in relation to the Notes.

The Cash Manager, acting on information provided by the Calculation and Reporting Agent, will, acting as agent of the Issuer arrange for payments to be made to and from the Issuer Accounts in accordance with the Transaction Documents and invest monies standing to the credit from time to time of the Issuer Transaction Account in Eligible Investments.

### ***Eligible Investments***

Pursuant to the Cash Management Agreement, amounts held in the Issuer Transaction Account may be invested from time to time in Eligible Investments at the direction of the Cash Manager and/or the Calculation and Reporting Agent.

***Eligible Investments*** means (i) investments made in any one of the following categories of investment in any particular order and in the following circumstances: (a) liquidity funds and/or money market funds (which may include units in unregulated collective schemes), demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper); provided that in all cases such investments will mature at least one business day prior to the next Note Interest Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or the or time deposits are made (being a bank or licensed EU credit institution) are rated "A-1+" by S&P and "F1" by Fitch or, if no such investment is available in the market, (b) Sterling denominated government securities or, if no such investment is available in the market (c) such investments as are otherwise acceptable to the Rating Agencies if the deposits are (i) to be held in such account for 30 days or more and the

short-term debt obligations of which have a short-term rating of not less than "A-1+" from S&P and "F1+" from Fitch or (ii) if the deposits are to be held in such account for less than 30 days or such other account or accounts with respect to which each of the Rating Agencies shall have confirmed in writing that the then current rating assigned to any of the Notes that are currently being rated by such Rating Agency will not be qualified, downgraded or withdrawn by reason thereof.

The Issuer will each pay to the Cash Manager an agreed annual fee (inclusive of VAT) and will arrange for an agreed annual fee to be paid to the Calculation and Reporting Agent. Payment of the Cash Manager's fee and the Calculation and Reporting Agent's fee by the Issuer ranks senior to payments to the Noteholders.

The Cash Management Agreement will be governed by English law.

## 11. **Property Management Agreement**

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

The Property Manager will be responsible for, *inter alia*, (a) the collection of rent on behalf of the Propcos, (b), the payment and administration of all third party Property costs and expenses (including the Key Expenses), (c) the procurement of operational services, including all requisite repairs and maintenance; (d) the procuring and maintenance of insurance in accordance with the Property Management Agreement and (e) assisting in relation to alterations, substitutions and disposals of Properties in accordance with the Occupational Leases and the Issuer/Borrower Loan Agreement, as applicable. The Property Manager will also provide or make available post-issuance transaction reporting information to the Servicer on a quarterly basis starting from the day after first Loan Interest Payment Date in January 2007.

The Property Manager has broad discretion in conducting property management services on behalf of each Propco without needing to obtain consent. However, in respect of certain matters ("**Authority Matters**"), the Property Manager is required to obtain the consent of the Propcos who, in relation to some such matters, are in turn required under the Loan Agreements to obtain the consent of the Borrower Security Trustee.

Authority Matters that in turn require Borrower Security Trustee consent include (i) the sale or purchase of any Property by a Propco and entering into any documents affecting title to Property; (ii) incurring any capital expenditure in relation to Major Works, (iii) lettings, relettings and renewals except where the principal yearly rent or licence fee is less than £250,000, (iv) settling a downward rent review under any lease in any calendar year where the per annum rental value of such lease is in excess of £250,000 or such that the aggregate of the per annum rental value of all Leases of which downward rent reviews have been settled in such year would exceed £500,000 and (v) variations to any Lease with rent in excess of £100,000 or such that the aggregate of the per annum value of all Leases for which variations have been effected in any calendar year, would exceed £250,000.

Borrower Security Trustee consent is also required in relation to any litigation or commencement of legal action (including without limitation forfeiture or irritancy proceedings) except (i) for serving statutory demands, instructing bailiffs and commencing third party determination of rent reviews and (ii) in situations outside normal working hours or where the Borrower Security Trustee is not available and where the Manager, acting with due skill and care and in accordance with the principles of good estate management determines that urgent legal action is required (in such circumstances the Property Manager must make reasonable efforts to inform the Borrower Security Trustee as soon as possible).

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

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

The occupational tenants will be directed to pay all Rental Income into a designated collection account (into which only Rental Income derived from the Properties will be paid) (the "**Collection Account**"). The Property Manager, pursuant to the Property Management Agreement, will transfer Net Rental Income after deduction of, *inter alia*, service charge and VAT payments, Senior Property Management Fee and Key Expenses) to an account in the name of the Borrower (the "**Rent Account**") which will be charged to the Borrower Security Trustee and operated by the Servicer.

In consideration for providing asset management and property management services and subject to the priorities of payment in the Intercreditor Agreement, the Property Manager will be entitled to payment of a fee from the Borrower on behalf of each Propco. The fee shall be made up of a senior management fee element (the "**Senior Management Fee**", being 0.029 per cent. (excluding VAT) of the initial market value of the Properties being managed) and a junior management fee element (the "**Junior Management Fee**") (being 0.174 per cent. (excluding VAT) of the initial market value of the Properties being managed). On any Loan Interest Payment Date, the Junior Management Fee shall only be paid if the full minimum amortisation amount due on that Loan Interest Payment Date in respect of the C Loan have been paid. Any amounts of Management Fee which are not paid as a result of the operation of the priorities of payment in the Intercreditor Agreement (including any Junior Management Fee which is unpaid as a result of any failure to pay in full the minimum amortisation amount (due in respect of the C Loan) will be deferred (such deferred amounts "**Deferred Management Fee**") until the next Loan Interest Payment Date on which such amounts are available in accordance with the Intercreditor Agreement (and on which the minimum amortisation amounts due in respect of the C Loan have been fully paid) and will accrue interest at a rate equal to the rate of interest payable by the A Loan.

The Property Management Agreement will be governed by English law.

## 12. The Liquidity Facility Agreement

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

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

The initial aggregate principal amount available for drawing under the Liquidity Facility will be £16,400,000 (the "**Liquidity Facility**").

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

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

If the Issuer has received funds in respect of a drawing as a result of the exercise by the B Lender or the C Lender of their purchase rights or cure rights under the Intercreditor Agreement it will repay such drawing promptly upon receipt of such funds (plus any break costs due to the Liquidity Provider). The Issuer will, otherwise, repay each drawing under the Liquidity Facility upon each Note Interest Payment Date, to the extent that funds are available in accordance with the Pre-Enforcement Priority of Payments or, as applicable, the Post-Acceleration Priority of Payments. Amounts repaid may, subject to various conditions for drawing, be redrawn. At the Closing Date the Liquidity Facility Provider is Lloyds TSB Bank plc.



If:

- (a) the short-term, unsecured, unsubordinated and unguaranteed debt of any party then being the Liquidity Facility Provider ceases to be rated at least F-1 by Fitch and A-1+ by S&P so long as such Rating Agency is then rating the Notes (such ratings being the "**Requisite Ratings**" for the purposes hereof); or
- (b) the Liquidity Facility Provider elects not to renew the Liquidity Facility within ten days after receipt of a request to renew the Liquidity Facility (which may be made not more than 30 Business Days and not later than 20 Business Days prior to the end of its 364-day term),

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

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

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

Interest will accrue on any drawing (other than a Stand-by Loan) under the Liquidity Facility Agreement at the rate per annum equal to three-month sterling LIBOR plus a margin of 0.3 per cent. per annum until such drawing is repaid. In respect of a Stand-by Loan, interest will be calculated by reference to (i) the commitment fee that would have been payable had the Stand-by Loan not been drawn and (ii) the rate of interest actually earned on the Stand-by Account.

On enforcement of the Issuer Security, all indebtedness outstanding to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than the Liquidity

Subordinated Amounts) will rank in priority to payments to the Issuer and, accordingly, payments under the Notes.

The long-term, unsecured, unsubordinated debt obligations of the Liquidity Facility Provider are rated "AA+" by Fitch and "AA" by S&P, and the short-term, unsecured, unsubordinated debt obligations of Liquidity Facility Provider are rated "F1+" by Fitch and "A-1+" by S&P

The Liquidity Facility Agreement will be governed by English Law.

### 13. The Swap Agreement

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

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

The Swap Counterparty may, at its own discretion and at its own expense, transfer its rights and obligations under the Swap Agreement (including the Swap Transactions) to any third party provided the Borrower and the Borrower Security Trustee have

consented to such transfer and the Rating Agencies have been given reasonable notice of such transfer and such third party has short-term, unsecured, unsubordinated debt obligations that are rated at least F1 by Fitch and at least A-1 by S&P and has long term, unsecured, unsubordinated debt obligations that are rated at least A by Fitch, and provided further that such third party agrees to be bound by, *inter alia*, the terms of the Swap Agreement and the Swap Transactions thereunder on substantially the same terms as the Swap Counterparty it replaces.

### ***Termination of Swap Transactions***

The Swap Transactions may be terminated in accordance with certain termination events and events of default, some of which are more particularly described below.

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

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

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

The Swap Counterparty may terminate the C Loan Swap Transaction(s) in certain circumstances including (i) if the Borrower fails to pay the full amount it is required

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

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

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

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

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

The Swap Counterparty's obligations under the Swap Transactions are guaranteed pursuant to, and subject to the terms of, the Swap Guarantee provided by the Swap Guarantor. In the event that Morgan Stanley & Co. International Limited ceases (other than by virtue of its own default) to be the Swap Counterparty or it is replaced by a suitably rated third party, Morgan Stanley will cease to be the Swap Guarantor.

### ***Interest Rate Swap Guarantor Downgrade Event***

If the rating of the short-term, unsecured, unsubordinated debt obligations of the Swap Guarantor falls below "F1" by Fitch or below "A-1" by S&P, or the long-term, unsecured, unsubordinated debt obligations of the Swap Guarantor falls below "A" by Fitch at any time, then the Swap Counterparty will be required within 30 days to among other things:

- (a) obtain a guarantee of its obligations under the Swap Agreement from a third party whose short-term unsecured, unsubordinated, unguaranteed debt obligations are rated "F1" or above by Fitch and "A-1" or above by S&P, and whose long-term, unsecured, unsubordinated, unguaranteed debt obligations are rated "A" or above by Fitch; or
- (b) provide collateral in the form of cash or securities or both in support of its obligations under the Interest Rate Swap Agreement in an amount or value determined in accordance with the terms of the Swap Agreement Credit Support Document; or
- (c) transfer all its rights and obligations under the Swap Agreement to a replacement third party provided that such third party's (or that third party's credit support provider's) short-term unsecured, unsubordinated, unguaranteed debt obligations are rated "F1" or above by Fitch, "A-1" or above by S&P, and such third party's (or that third party's credit support provider's) long-term, unsecured, unsubordinated debt obligations are rated "A" or above by Fitch; or
- (d) in relation to a downgrade by Fitch only, procure another party whose (or its credit support provider's) short-term unsecured, unsubordinated, unguaranteed debt obligations are rated "F1" or above by Fitch, and whose (or its credit support provider's) long-term, unsecured, unsubordinated debt obligations are rated "A" or above by Fitch to become co-obligor in respect of (i) (if the short-term unsecured, unsubordinated debt obligations of the Swap Guarantor fall below "F1" or the long-term, unsecured, unsubordinated debt obligations of the Swap Guarantor fall below "A") the obligations of the Swap Guarantor under the Swap Agreement; or (ii) (if the short-term unsecured, unsubordinated debt obligations fall below "F2" or "F3", or the long-term, unsecured, unsubordinated debt obligations of the Swap Guarantor falls below "BBB+" or "BBB-") the obligations of the Swap Counterparty under the Swap Agreement,

provided that, if the rating of the short-term unsecured, unsubordinated, unguaranteed debt obligations of the Swap Guarantor falls below "F3" by Fitch, or the long-term, unsecured debt obligations of the Swap Guarantor falls below "BBB-" by Fitch, then the Swap Counterparty will be required to comply with either paragraph (c) or (d) above and if the rating of the long-term unsecured, unsubordinated, unguaranteed debt obligations of the Swap Guarantor falls below "BBB-" by S&P, then the Swap Counterparty will be required within 10 days to comply with either paragraph (a) or (c) above. Rather than taking any of the particular actions described above the Swap Counterparty may agree to take other action agreed with the relevant Rating Agencies.

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

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

Agreement, the Swap Agreement Credit Support Document will provide that, from time to time, subject to the conditions specified in the Swap Agreement Credit Support Document and the Swap Agreement, the Swap Counterparty will make transfers of collateral to the Borrower in support of its obligations under the Swap Agreement and the Borrower will be obliged to return such collateral in accordance with the terms of the Swap Agreement Credit Support Document.

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

The Swap Agreement will be governed by English Law.

#### **14. Tax Deed of Covenant**

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

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

## SERVICING

### **Servicing Agreement**

On the Closing Date, the Issuer, the Servicer, the Special Servicer, the Borrower Security Trustee, B Lender, C Lender, and the Note Trustee will enter into an agreement (the "**Servicing Agreement**") pursuant to which Morgan Stanley Mortgage Servicing Limited will be appointed to act as the Servicer and Special Servicer of the Loans and the Obligor Security.

The duties of the Servicer include monitoring the payments made by the Borrower and issuing certain reports and notices (including quarterly reports, watchlist reports and prepayment reports) to the Issuer, the B Lender (or an appointed representative thereof), the C Lender (or an appointed representative thereof), the Note Trustee, the Cash Manager, the Calculation and Reporting Agent and the Rating Agencies in respect of the performance of the Loans and the Security during the immediately Preceding Collection Period. The Calculation and Reporting Agent will post the Servicer's reports on [www.ctslink.com](http://www.ctslink.com) where such reports may be accessed by Noteholders and the Calculation and Reporting Agent will procure that notice is given to Noteholders of any change in the website used for dissemination of servicing reports and notices in accordance with Condition 17. No such website forms part of the information contained in this Offering Circular. Registration may be required for access to any such website and disclaimers may be posted with respect to the information posted thereon.

### **Standards to be Applied**

In performing their respective obligations under the Servicing Agreement, each of the Servicer and Special Servicer must act in accordance with the following standards (together, the "**Servicing Standard**"), applying such standards in the following order of priority in the event of a conflict:

- (a) any and all applicable laws regulations and listing rules;
- (b) the provisions of the Finance Documents (other than the Intercreditor Agreement);
- (c) the provisions of the Intercreditor Agreement;
- (d) the express provisions of the Servicing Agreement; and
- (e) the standard of skill, care and diligence as is normal and usual for a reasonably prudent commercial mortgage servicer undertaking commercial servicing activities on behalf of third parties in relation to loans comparable to the Loans, with a view to the timely collection of all sums due in respect of the Loans and, on the occurrence of an event of default in relation to the Loans, the maximisation of recoveries available to the Lenders (in all cases as a collective whole but taking into account the subordination of the B Lender and the C Lender),

in each case, without regard to any fees or other compensation to which the Servicer or the Special Servicer may be entitled, any obligation of the Servicer or the Special Servicer to incur any expense in connection with the performance of its obligations, any relationship the Servicer or the Special Servicer or any of their respective affiliates may have with the

Borrower (or any affiliate of the Borrower) or any other party to the transactions contemplated by the issue of the Notes or the advance of the B Loan and the C Loan, the different payment priorities among the Notes or the ownership of any Note or the B Loan or C Loan (or any interest therein) by the Servicer or Special Servicer or any affiliate thereof.

The servicing of the Loans will be undertaken for the benefit of the Issuer, the B Lender, the C Lender and the Borrower Security Trustee according to their respective rights and interests in the Loans and the Obligor Security and subject to the specific rights and restrictions set out in the Servicing Agreement and the Intercreditor Agreement (as summarised in this section of the Offering Circular and in the section headed "Intercreditor Agreement" above).

### **Delegation by the Servicer and Special Servicer**

The Servicing Agreement permits each of the Servicer and (and subject to the consent of the Lenders) the Special Servicer to sub-contract or delegate all or any of its obligations thereunder subject to specific provisions set out in the Servicing Agreement. Notwithstanding any such sub-contracting arrangements, neither the Servicer nor the Special Servicer will be released or discharged from any liabilities under the Servicing Agreement and the Servicer and the Special Servicer will remain responsible for the performance, non-performance, manner of performance or breach of an obligation by any sub-contractor or delegate of their respective duties thereunder.

### **Arrears and Default Procedures**

The Servicer or, in respect of any Specially Serviced Loans, the Special Servicer will be responsible for the supervision and monitoring of payments falling due in respect of the Loans and, on the occurrence of a default, the application of the then-current enforcement procedures (the "**Default Procedures**").

The Default Procedures must comply with the standards which are required to be applied by the Servicer and the Special Servicer in the performance of their duties generally, as described under heading "Standards to be Applied" above. Following the occurrence of an event of default in relation to the Loans, the Servicer or, while the Loans are Specially Serviced Loans, the Special Servicer, will determine, in accordance with the Servicing Standard, the best strategy for preserving the Lender's rights in respect of the Loans and in respect of the Properties securing them. Furthermore, the Servicer or Special Servicer will take action with regard to the enforcement of the security in accordance with the terms of the Intercreditor Agreement, which may in certain cases require consultation with the Operating Adviser. The Servicer's or Special Servicer's strategy may include agreeing to waive, vary or amend certain terms of the Finance Documents (subject, in certain cases, to obtaining the prior consent of the B Lenders and/or the C Lenders) and/or appointing a receiver in respect of all or some of the Properties.

The net proceeds realised upon the enforcement of the Obligor Security (after payment of the costs and expenses of the enforcement) will, together with any amount payable on any related insurance contracts, be applied against the sums owing from the Borrower in the manner in the Intercreditor Agreement.



## **Insurance**

The Servicer will be responsible for establishing and maintaining procedure to monitor compliance by the Obligors with the Finance Documents regarding the insurance of the Properties (including the Properties securing any Specially Serviced Loan).

Upon becoming aware that there has been a failure to pay premiums due under any relevant buildings insurance coverage, the Servicer must direct the Borrower Security Trustee to pay premiums due and payable under any insurance policy in order that the cover provided by such insurance policy shall not lapse, unless it considers that the costs of so doing would not be in accordance with the Servicing Standard.

Upon becoming aware that any policy of buildings insurance has lapsed or that any Property is otherwise not insured in accordance with the terms of the Loan Agreements, the Servicer must, on behalf of the Borrower Security Trustee arrange the required level of insurance coverage unless it considers that incurring the costs of so doing will not be in accordance with the Servicing Standard.

On the Loan Interest Payment Date following the date on which the Servicer incurs any out-of-pocket costs and expenses in reinstating any buildings insurance coverage, the Lenders will reimburse the Servicer for such amounts. Provided that the applicable Finance Documents entitle it to do so, the Servicer will use all reasonable endeavours to recover such sums from the Borrower.

The Servicer must not knowingly give any instructions or directions or omit to give any instructions or directions which would result in the avoidance or termination or non-renewal of any relevant buildings insurance coverage or would reduce the amount payable on any claim thereunder.

The Servicer must, as soon as reasonably practicable after it becomes aware of the occurrence of any event giving rise to a claim, direct the Borrower Security Trustee to prepare and submit any claim under any relevant buildings insurance coverage and comply with any requirements of the relevant insurer.

The Servicer shall give directions, from time to time, to the Borrower Security Trustee in respect of any negotiation, agreement or acceptance of any compromise, abandonment or settlement of any claim for compensation by the Borrower Security Trustee or any claim by the Borrower Security Trustee under any relevant buildings insurance coverage.

The Servicer will procure that any amounts paid pursuant to any claim under any relevant buildings insurance coverage (other than monies paid in respect of loss of rent) will be paid to or to the order of the Borrower Security Trustee. If any amounts are paid to the Servicer on behalf of the Borrower Security Trustee pursuant to any claim under any buildings insurance coverage (other than monies paid in respect of loss of rent), those amounts shall be paid by the Servicer to or to the order of the Borrower Security Trustee. Any amounts so received shall be applied in accordance with the terms of the applicable Finance Documents (including the Intercreditor Deed).

## **Loan Review**

The Servicer is required to undertake an annual review in respect of each Loan in accordance with its servicing procedures. The Servicer is authorised to conduct this review process more frequently if the Servicer, in accordance with the Servicing Standard, has cause for concern as to the ability of the Borrower to meet its financial obligations under any Loan. Such a review may include an inspection of Properties and consideration of the cash flow arising from the Properties and a compliance check of the Obligor's covenants under the Finance Documents.

## **Notification**

The Servicer or, if at the relevant time any Loan is a Specially Serviced Loan, the Special Servicer, will be obliged to notify each other, the Issuer, the B Lender, the C Lender, the Note Trustee and the Borrower Security Trustee of any matter which becomes known to the Servicer or the Special Servicer which is a breach of any of the representations and warranties made by an Obligor to the Lenders contained in the Finance Documents.

## **Transfer of powers to the Special Servicer**

If any or all of the following events have occurred in relation to a Loan:

- (a) the Borrower fails to repay any amount of principal due and payable on a day other than the maturity date of a Loan or pay any amount of interest, in each case for thirty days after the Servicer has notified the Borrower that such repayment of principal or payment of interest is overdue (taking into account any grace period under the Finance Documents); or
- (b) any payment required to be made by the Borrower in respect of a Loan on its maturity date is not paid when due provided that, no Servicing Transfer Event will have occurred if the Servicer has agreed to an extension of the maturity date of the relevant Loan and the Borrower has entered into a refinancing arrangement in respect of such Loan; or
- (c) any Obligor has become subject to, entered into or consented to any insolvency, moratorium, administration, liquidation, receivership or similar proceedings (unless the Servicer, acting in accordance with the Servicing Standard, is satisfied that such procedures or proceedings are vexatious or frivolous or that Obligor is in good faith disputing such proceedings); or
- (d) the Servicer becomes aware that an interest cover percentage in respect of a Loan is less than the level at which the applicable Loan Agreement requires it to be maintained and a Loan Event of Default (i) has occurred and subsists as a result and (ii) has not been cured by the B Lender or C Lender within the time limits specified (and in accordance with their respective rights) under the Intercreditor Deed; or
- (e) the Servicer considers that there is an imminent risk of a material default in respect of the Issuer/Borrower Loan, which material default will not be cured within 60 days of its occurrence; or
- (f) any other material event of default occurs under the relevant Loan Agreement, which material default will not be cured within 30 days of its occurrence,

(each a "**Servicing Transfer Event**"), the Servicer shall notify the Issuer, the B Lender, the C Lender, the Note Trustee and the Special Servicer of such event, whereupon all the Loans will become "**Specially Serviced Loans**" and will remain so until they become Corrected Loans (as described below) or until the Enforcement Procedures are completed in relation thereto or until it is sold or redeemed in full.

The Loans will become "**Corrected Loans**" if, for two consecutive Collection Periods, the Borrower pays all principal, interest and other amounts owing in respect of that Loan when they fall due and to the extent that the Loan became a Specially Serviced Loan as a result of Special Servicing Transfer Events (c), (d), (e) or (f) those circumstances have ceased to exist and no other Servicing Transfer Event is persisting which has persisted for a period of two complete, consecutive Collection Periods or longer.

### **Appointment of Operating Adviser**

The Controlling Class, the B Lender or the C Lender shall be entitled to appoint an operating adviser (each an "**Operating Adviser**"). The Special Servicer must consult with the Operating Adviser to the extent and in the manner described in the Intercreditor Agreement. The Servicing Agreement will provide, amongst other things, that the C Lender will be entitled to appoint the Operating Adviser for so long as no Control Valuation Event has occurred in relation to it, following which the B Lender will be entitled to appoint the Operating Adviser for so long as no Control Valuation Event has occurred in relation to it, failing which the Controlling Class will be entitled to appoint the Operating Adviser.

The Servicer and the Special Servicer must consult the Operating Adviser and consider any advice or representations made by the Operating Adviser prior to the appointment of a receiver or any proposed enforcement action.

However, in the event that the Special Servicer determines that immediate action is required to meet the Servicing Standard, it may subject to and in accordance with the Intercreditor Agreement take whatever action it considers necessary without waiting for the Operating Adviser's response. It may also suggest to the Servicer or Special Servicer alternative courses of action and, pending receipt of such suggestions, the Servicer or, as the case may be, the Special Servicer will postpone taking the relevant action, subject to the overriding principle relating to immediate action described above. Within five Business Days, the Servicer or Special Servicer, as appropriate, will provide a written response to the Operating Adviser, where possible incorporating the alternatives suggested by the Operating Adviser (or otherwise, where possible, taking account of the objectives suggested by the Operating Adviser), to the extent consistent with the Servicing Standard (such consistency as determined by the Servicer or Special Servicer, as applicable, in its absolute discretion). The Servicer or Special Servicer shall continue to revise its proposals until the earlier of (a) the delivery by the Operating Adviser of written approval of such revised proposal, (b) failure of the Operating Adviser to disapprove such revised proposal in writing within five Business Days of its delivery to the Operating Adviser, (c) the passage of 30 days (or, following the occurrence of a Material Senior Default, 15 Business Days) from the date of issuing of the first version of the proposal, or (d) in the case of an urgent proposal submitted by the Servicer, the Operating Adviser has failed to disapprove of the urgent proposal within the period specified in such urgent proposal.

In all cases, if an Operating Adviser does not respond within five Business Days of being notified of, and being provided with the relevant information in respect of, the relevant

action, or the Servicer or the Special Servicer, as the case may be, reasonably considers that it is required to act before the expiry of that period, the Servicer or the Special Servicer, as the case may be, will be entitled to take any action that has been notified to the Operating Adviser. Failure to notify the Operating Adviser of any action or non-action by the Servicer or the Special Servicer shall not invalidate any such action or non-action.

The Operating Advisers and their respective officers, directors, employees and owners will have no liability to Noteholders (save with respect to the Controlling Class if the Controlling Class appointed the Operating Adviser) for any advice given, or representations made, to the Special Servicer, or for refraining from the giving of advice or making of representations. The Operating Adviser is not prohibited from:

- (a) having special relationships and interests that conflict with those Lenders or with the holders of one or more classes of Notes,
- (b) acting solely in the interests of the Controlling Party, and
- (c) acting to favour the interests of the Controlling Party, over the interests of the other Lenders or, if the Controlling Party is the Controlling Class over the interests of the other Noteholders and/or over the interests of Lenders other than the Issuer. No Operating Adviser may either violate any duty or incur any liability by acting solely in the interests of the Controlling Party and owes no duties to any person other than the Controlling Party.

Notwithstanding the appointment of and rights of an Operating Adviser, the Special Servicer must act at all times in accordance with the requirements of the Servicing Agreement, including the requirement to act in accordance with the Servicing Standard.

**"Controlling Party"** means the party either, the C Lender, the B Lender or the Controlling Class, which appointed the Operating Advisor.

**"Controlling Class"** means the holders of the most junior class of Notes outstanding from time to time, which class has a Principal Amount Outstanding that is not less than 25 per cent. of that Class's original Principal Amount Outstanding on the Closing Date; provided however that if no Class of Notes has a Principal Amount Outstanding that satisfies this requirement, then the Controlling Class will be the holders of the most junior Class of Notes then outstanding that has a Principal Amount Outstanding that is greater than zero.

### **Modifications and Exercise of Discretions**

The Loan Agreements, require that, to make an amendment to any Finance Document, the consent of all the parties to the relevant agreement must be obtained. Notwithstanding the requirements in the Loan Agreements or any other Finance Document, the Intercreditor Agreement states that the Borrower Security Trustee (or the Servicer or Special Servicer on its behalf) may, on behalf of the relevant Lenders agree to and effect amendments to and issue consents under any Finance Document (subject in certain cases to obtaining the consent of the lenders under the B Loan Agreement and/or the C Loan Agreement. For further details of the matters which require the consent of the B Lenders and/or the C Lenders please refer to the section headed "The Intercreditor Agreement" above).

## Payments to the Servicer and the Special Servicer

Pursuant to the Servicing Agreement, on each Loan Interest Payment Date each Lender will pay to the Servicer (or the person then entitled thereto), in accordance with the priorities of payment set out in the Intercreditor Agreement, a fee (the "**Servicing Fee**") which shall be payable by each Lender at a rate of 0.02 per cent. per annum (exclusive of any applicable value added tax) (payable quarterly in arrear) of the outstanding principal balance of that Lender's Loan calculated on the first day of the Collection Period to which that Loan Interest Payment Date relates.

The Servicing Fee will accrue from day to day and will be calculated on the basis of a 365-day year and the actual number of days elapsed in the relevant Collection Period, disregarding any days falling after the completion of the Enforcement Procedures or the sale or redemption in full of the Loans.

If the Loans becomes Specially Serviced Loans by virtue of a Servicing Transfer Event having occurred in relation to the Issuer/Borrower Loan, each Lender shall pay to the Special Servicer a fee (the "**Special Servicing Fee**") equal to 0.13 per cent. per annum (exclusive of value added tax) (or such lesser percentage rate per annum as may be agreed from time to time) of the outstanding principal amount of that Lender's Loan, calculated on the first day of the Collection Period during which a Servicing Transfer Event occurred in relation to the Issuer/Borrower Loan. The Special Servicing Fee will accrue from day to day, will be calculated on the basis of a 365-day year and the actual number of days elapsed from and including the date on which a Servicing Transfer Event occurred in relation to the Issuer/Borrower Loan until, but excluding, the date on which the Issuer/Borrower Loan becomes a Corrected Loan. The Special Servicing Fee will be payable in arrear on each Loan Interest Payment Date commencing with the Loan Interest Payment Date following the date on which a Servicing Transfer Event occurred in relation to the Issuer/Borrower Loan until, but excluding, the date on which the Issuer/Borrower Loan becomes a Corrected Loan.

In addition to any Special Servicing Fee then payable to the Special Servicer (or other person entitled thereto), on each Loan Interest Payment Date each Lender shall pay to the Special Servicer a fee (the "**Liquidation Fee**") which is equal to 1 per cent. of the Principal Recovery Funds received by or on behalf of the Lender in respect of any Specially Serviced Loan during the Loan Interest Period then ended. Furthermore, on each Loan Interest Payment Date after the Loans, having been Specially Serviced Loans, become and remain Corrected Loans, the Special Servicer will be paid a fee by each Lender (the "**Work-out Fee**") equal to up to the aggregate (exclusive of value added tax) of not more than one per cent. of the Interest Receipts and not more than one per cent. of the Principal Receipts received by or on behalf of that Lender during the Loan Interest Period then ended. However:

- (a) no Work-out Fee will be payable in respect the Corrected Loans if, prior to becoming Corrected Loans, became and remained Specially Serviced Loans solely by virtue of the actual interest cover percentage in respect thereof being less than the amount required by the Finance Documents where such breach was not cured within 90 days of its occurrence;
- (b) no Work-out Fee shall be payable in respect of the Corrected Loans unless, prior to becoming Corrected Loans, such Loans became and/or remained a Specially Serviced Loan by virtue of a Servicing Transfer Event having occurred in relation to Issuer/Borrower Loan; and

- (c) no Work-out Fee shall be payable in respect of the Corrected Loans if a Restructuring Fee was recovered from the Borrower and paid to the Special Servicer, as described below.

The Servicer will notify the Note Trustee and the Rating Agencies in writing if a Work-out Fee has become payable in respect of the Loans. Both before enforcement of the Notes and thereafter, all fees and other sums due to the Special Servicer will, pursuant to the Intercreditor Agreement, be payable in priority to payments to the Issuer. The Work-out Fee determined to apply to a Corrected Loan shall cease to apply thereto if such Corrected Loan becomes a Specially Serviced Loan on a second or subsequent occasion. Moreover, should the Issuer/Borrower Loan become a Corrected Loan again, the Work-out Fee shall become payable again.

On the Loan Interest Payment Date immediately following the Loan Interest Period during which they are incurred, the Lenders, shall, on a pro rata basis, according to the outstanding principal amounts of their respective Loans, reimburse the Servicer and the Special Servicer for all out-of-pocket costs, expenses and charges properly incurred by them in the performance of their respective duties, together with interest thereon at the rate of one per cent. per annum over three-month LIBOR (the "**Reimbursement Rate**") from the date on which such costs, expenses or charges were incurred by the Servicer or the Special Servicer until the Loan Interest Payment Date on which they are reimbursed. To the extent that the recovery of costs and expenses is permitted by the applicable Finance Documents, the Servicer (in the case of costs and expenses incurred by the Servicer) or the Special Servicer (in the case of costs and expenses incurred by the Special Servicer) will use all reasonable endeavours to ensure that all costs and expenses which the Lenders are required to reimburse to the Servicer or the Special Servicer are recovered from the Borrower. Prior to agreeing to waive, vary or amend of the terms of any Finance Document, the Servicer or the Special Servicer must determine and procure that the Borrower is notified of the amount of the fee (the "**Restructuring Fee**") (which must be a reasonable and customary amount) to be charged for the work undertaken in relation to that waiver, variation or amendment. The Servicer or, as the case may be, the Special Servicer will only agree to the relevant waiver, variation or amendment if the Borrower pays the Restructuring Fee in advance, unless such an instruction would contravene the Servicing Standard. If a Restructuring Fee is charged to and recovered from the Borrower, the Lenders shall, on the Loan Interest Payment Date following such recovery, pay to the Servicer (or, in the case of a Restructuring Fee charged to the Borrower while the Loans were Specially Serviced Loans, the Special Servicer, an amount equal to the fees so recovered, each such payment to be made on a pro rata basis according to the outstanding principal amounts of each Lender's Loan.

Under the Issuer/Borrower Loan Agreement, the Borrower will agree to pay the fees, costs charges, liabilities and expenses due to the Servicer and Special Servicer in accordance with the Intercreditor Agreement.

The Servicer and Special Servicer may assign all or any part of the fees to which it is entitled under the Servicing Agreement, subject to the assignee agreeing to be bound by the terms of the Issuer Deed of Charge. Following any termination of the appointment of the Servicer, the Servicing Fee and the Special Servicing Fee will be paid to any substitute servicer or special servicer appointed; provided that the Servicing Fee and the Special Servicing Fee may be payable at a higher rate agreed in writing by the Note Trustee (but which does not exceed the rate then commonly charged by providers of loan servicing services secured on commercial properties in England and Wales or Scotland) to any substitute servicer.

## **Termination of Appointment of Servicer or Special Servicer**

The appointment of the Servicer or the Special Servicer under the Servicing Agreement may be terminated by the Note Trustee following a termination event, by voluntary termination or by automatic termination. The Controlling Class and/or the C Lender, for so long as no Control Valuation Event has occurred with respect to the C Lender or, following the occurrence of such a Control Valuation Event, the B Lender, for so long as no Control Valuation Event has occurred with respect to the B Lender, may direct the Note Trustee to remove the Servicer upon the occurrence of any such termination event. The Note Trustee shall give notice to the Issuer, the B Lender and/or the C Lender (as applicable) that it has received such direction and shall not remove the Servicer unless the replacement Servicer is Hatfield Philips International Limited or, if not Hatfield Philips International Limited, it has received the prior written consent of the Controlling Class, the B Lender and/or the C Lender (as applicable), such consent not to be unreasonably withheld or delayed. Any such appointment would remain subject to the consent procedure described below.

A termination event in respect of the Servicer or Special Servicer will occur under the terms of the Servicing Agreement, if including, among other things, a default in the payment on the due date of any payment to be made by it under the Servicing Agreement and which default continues for a period of five Business Days after the Servicer or the Special Servicer received written notice from the Note Trustee requiring the same to be remedied, or, in certain circumstances, a default in performance of any of its other material covenants or obligations under the Servicing Agreement, or in the event that an order is made or an effective resolution passed for its winding up, or if it becomes insolvent. On the termination of the appointment of the Servicer or, as the case may be, the Special Servicer, by the Note Trustee, the Note Trustee may, subject to certain conditions (the "**Replacement Conditions**") appoint a substitute servicer or, as the case may be, a substitute special servicer.

The Replacement Conditions include, but are not limited to, (a) the receipt of written Rating Agency confirmation that the appointment of a substitute servicer or special servicer will not result in its then current ratings of the Notes of any class being withdrawn, downgraded or qualified, unless otherwise agreed by an Extraordinary Resolution of separate class meetings of each class of the Noteholders (b) if the replacement Special Servicer or Servicer is not Hatfield Philips, receipt of the prior written consent of each of the B Lender and of the C Lender (such consent not to be unreasonably withheld or delayed) and (c) that the replacement Special Servicer or Servicer is not the Operating Adviser.

Each of the Servicer and the Special Servicer may terminate its appointment upon not less than three months' prior written notice to each of the Lenders, the Note Trustee, the Borrower Security Trustee and the Servicer or the Special Servicer (whichever is not purporting to give notice) provided that a qualified substitute servicer or substitute special servicer, as the case may be, shall have been appointed and agreed to be bound by the Servicing Agreement (including, but not limited to, those provisions as to the fees, costs and expenses) and the Issuer Deed of Charge, such appointment to be effective not later than the date of termination of the Servicing Agreement, and provided further that the Rating Agencies have provided a written Rating Agency confirmation that the appointment of a substitute servicer or special servicer will not result in its then current ratings of the Notes of any class being withdrawn, downgraded or qualified, unless otherwise agreed by an Extraordinary Resolution at separate meetings of each class of Noteholders.

On termination of its appointment, the Servicer or the Special Servicer, as the case may be, will, at the expense of the Issuer, forthwith deliver to the Note Trustee or as the Note Trustee directs, all documents, papers, registers and other assets held by it in relation to its appointment as Servicer or Special Servicer, as the case may be, and will be required to take such further action as the Note Trustee may reasonably direct to enable the services of the Servicer or the Special Servicer, as the case may be, to be performed by a substitute thereof.



## SUBSTITUTION, DISPOSAL AND ALTERATIONS OF PROPERTIES

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

- (a) no Loan Event of Default is outstanding or would result from that disposal;
- (b) following the disposal and the corresponding prepayment (or, in the case of a warehousing, assuming the prepayment occurred), the Projected Interest Cover will not be less than the Projected Interest Cover immediately prior to the Closing Date or, if it is less, the Obligor/Share Mortgagor places on deposit in the Cash Collateral Account an amount equal to the additional amount of net rental income which would have to have been or to be received by the Issuer to ensure that the Projected Interest Cover was not less than immediately prior to the disposal. This amount will be transferred to the General Account (together with any interest accrued thereon) by the Borrower Security Trustee if there is no Loan Event of Default outstanding and the Borrower complies with its Projected Interest Cover covenants for two immediately following Loan Interest Payment Dates;
- (c) the disposal is on arm's length terms (save that this will not of itself prohibit an intra-group transfer provided that the terms of such disposal other than the identity of the transferee are on arms length terms);
- (d) the Net Disposal Proceeds are not less than the relevant Release Price Amount, provided that if the disposal proceeds are less than such amount, an Obligor may dispose of its Property or the shares in a Propco may be disposed of and released if any shortfall between the disposal proceeds and the Release Price Amount is immediately paid by an equity contribution or fully subordinated shareholder loan to the Borrower; and
- (e) the Obligor satisfies its obligations under the Tax Deed of Covenant with respect to the disposal.

The Obligors must ensure and, if applicable, procure that the Share Mortgagors ensure, that the Net Disposal Proceeds are applied in prepayment of the Loans and in payment of the other amounts referred to in the definition of Release Price Amount in accordance with Clause 7.2 of the Issuer/Borrower Loan Agreement.

If no Default is outstanding, following this prepayment, the amount of any Net Disposal Proceeds in excess of this will be deposited into the General Account.

**"Net Disposal Proceeds"** means the gross proceeds of any disposal permitted under paragraph 17.5(d) of the Issuer/Borrower Loan Agreement less any Taxes payable by the relevant Obligor or Share Mortgagor (as applicable) in connection with that disposal and other costs and expenses associated with that disposal as certified in writing by the Property Manager to the Borrower Security Trustee.

**"Release Price Amount"** means, the sum (as determined by the Borrower Security Trustee) in relation to a Property or a Propco, (as applicable), the aggregate of:

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

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

## **Substitution of Properties**

### *Substitution criteria*

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

Borrower Security Trustee will provide its consent to such substitution and the substitution may be effected,

(A) without any further approvals or consents provided that:

- (a) no Default is outstanding under the Issuer/Borrower Loan Agreement or the Intra-Group Loan Agreement, or would occur as a result of the proposed substitution;
- (b) neither the Actual Interest Cover nor the Projected Interest Cover (calculated as of the next Loan Interest Payment Date and taking into account Rental Income with respect to the Additional Property) are breached as a result of the disposal;
- (c) (in circumstances where the relevant Obligor may be unable, whether in law or otherwise to make an election to waive exemption pursuant to Schedule 10 to the Value Added Tax Act 1994 in relation to the relevant Additional Property) the relevant Obligor demonstrates to the satisfaction of the Borrower Security Trustee that the incurring of any irrecoverable VAT by the relevant Obligor in relation to the relevant Additional Property will not adversely affect the ability of the Borrower to make any payment in accordance with the Issuer/Borrower Loan Agreement, the B Loan Agreement and in the C Loan Agreement;
- (c) the Obligors and, if applicable, the relevant Share Mortgagor supply such information and details concerning any offered Additional Property and, if applicable, Additional Guarantor as the Issuer or the Borrower Security Trustee may reasonably request;
- (d) the Additional Property is used only as Retail and/or Office premises, a Logistics/Distribution Centre, a Motor Showroom or other Permitted Purpose;
- (e) after the value of the Additional Property has been aggregated with the aggregate value of all other Properties, the total value of Properties being used for a particular purpose as a percentage of the total value of all the Properties does not exceed the following thresholds:

Office	80%
Leisure (which shall be bingo halls, cinemas, data centres, gaming halls or gymnasiums)	20%
Retail	15%
Motor Showrooms	10%
Logistics/Distribution Centres	5%

provided that, for these purposes, where a Property is subject to more than one different use, such uses shall be apportioned to the above categories in the same proportions as the amount of Net Rental Income derived from parts of the Property used for a particular category bears to the aggregate Net Rental Income derived from the whole of such Property;

- (f) after the value of the Additional Property has been aggregated with the aggregate value of all other Properties, the total value of Properties located in a particular region as a percentage of the total value of all the Properties does not exceed the following thresholds:

London	50%
Scotland	45%
Yorkshire & The Humber	22.5%
North-East	20%
North-West	15%
East of England	7.5%
South-East	5%
South-West	5%
East & West Midlands	5%

As those terms are set out in the Issuer/Borrower Loan Agreement;

- (g) after the proposed substitution, the aggregate value of all Properties which have been substituted in accordance with this Clause does not exceed 25 per cent. of the value of the Original Properties (as determined from the Initial Valuation);
- (h) after the value of the Additional Property has been aggregated with the aggregate values of all other Properties, the aggregated value of the Properties having the five largest individual values shall not exceed more than 60 per cent. of the total value of the Properties;
- (i) an Additional Property that is used for a Permitted Purpose may only replace a Property that is used for a Permitted Purpose;
- (j) after the proposed substitution, the aggregate annual Rental Income payable by any single tenant (for this purpose a tenant and any Affiliates of a tenant shall be treated as a single tenant) under Occupational Leases will not exceed an amount equal to 15 per cent. of the aggregate annual Rental Income payable by all tenants under all of the Occupational Leases, unless the long term, unsecured and unsubordinated debt of the tenant under such Occupational Lease is:
- (i) rated A (or better) by Fitch or S&P or A3 (or better) by Moody's Investors Service Inc. ("**Moody's**") in which case the annual Rental Income payable by such tenant under such occupational Leases will not exceed 25 per cent. of the aggregate annual rent payable by all tenants under all of the Occupational Leases; or
  - (ii) rated AA (or better) by Fitch or S&P or Aa3 (or better) by Moody's or is a governmental entity of the U.K., in which case no restriction on the amount of the aggregate annual Rental Income payable by such tenant under such Occupational Leases will apply,

- (k) the value of the Additional Property substituting such Property which is the subject of a proposed substitution does not exceed an amount equal to 17.5 per cent. of the value of all the Properties;
- (l) the proposed substitution will not cause the Actual Interest Cover or the Projected Interest Cover to fall below 120 per cent. and will not cause a reduction in the Actual Interest Cover or the Projected Interest Cover of more than 2.5 per cent.;
- (m) after the proposed substitution, the aggregate annual Rental Income payable by the five largest tenants (determined by reference to the current annual Rental Income payable) under Occupational Leases will not exceed an amount equal to 50 per cent. of the aggregate annual Rental Income payable by all tenants under all of the Occupational Leases provided that for these purposes a tenant that satisfies one the criteria set out in (h)(i) or (ii) above shall for these purposes not be regarded as one of the five largest tenants;
- (n) the weighted average remaining term of the Occupational Leases of the Properties in each case (weighted by reference to the annual contracted rent and assuming break options are exercised) as a result of the substitution is not less than one year below that figure as at the date of the substitution and in any event is not less than three years after the Final Maturity Date;
- (o) the tenant of the Additional Property or, if an Additional Property is let to more than one tenant, the majority of such tenants (determined by the amount of annual Rental Income payable by such tenants) is in occupation at the time of the substitution;
- (p) the weighted average credit rating of the long term, unsecured and unsubordinated debt obligations as determined by one of S&P or Fitch or Moody's of the tenants (weighted by their annual contractual lease income at the time of substitution) of the Additional Property, is not less than the average credit rating of the long term, unsecured and unsubordinated debt obligations of the tenants of the substituted Property or, if any such tenants are not rated, the tenants of the Additional Property must have, in the view of the Property Manager, with reference to, inter alia, historical financial information, third party reports prepared by a reputable information provider and publicly available information, substantially the same or better credit worthiness than those of the substituted Property;
- (q) the net present value of the aggregate Rental Income payable by occupational tenants of the Additional Property (using the fixed rate applicable to amounts borrowed by the Propcos under the IGLA as the discount factor), when expressed as a percentage of the Allocated Loan Amount for the substituted Property is not less than that of the Additional Property when expressed as a percentage of the Allocated Loan Amount for the substituted Property is determined (in each case) in accordance with the terms of the Issuer/Borrower Loan Agreement;
- (r) the weighted average remaining term of the Occupational Leases of the Additional Property is not less than the weighted average remaining term of

the Occupational Leases of the substituted Property (in each case weighted by reference to the annual contracted rent and assuming break options are exercised);

- (s) there are no material liabilities, actual or contingent, associated with the Additional Property and, if applicable, the Additional Guarantor other than any liabilities contained in any Lease Document or Headlease or any liabilities that have otherwise been taken into account in the Valuation of the Additional Property;
  - (t) the Additional Property is directly owned and is not held by way of indirect investment (except where the Additional Property is held by an Affiliate of the Borrower);
  - (u) an Additional Property which is held by an Obligor pursuant to a Headlease may only replace a freehold or heritable Property where:
    - (i) the unexpired term of the Headlease is greater than 100 years;
    - (ii) the annual rent payable by the Obligor under the Headlease is not higher than 10 per cent. of the annual Rental Income receivable under the Occupational Lease under that Headlease;
    - (iii) the terms of the Headlease provide that there is no forfeiture or irritancy on insolvency; and
    - (iv) the Headlease is granted on terms which would be acceptable to a reasonable institutional investor acquiring a property for investment purposes;
  - (v) the Property Manager has sent a certificate to the Issuer and the Borrower Security Trustee at least five Business Days prior to the proposed substitution confirming that the substitution criteria contained in sub-paragraphs (a) to (u) above have been or will be met and a law firm approved by the Borrower Security Trustee confirms to the Issuer and the Borrower Security Trustee that the Additional Property and, if applicable, the shares in the Additional Guarantor have been (or will be by the date of the proposed substitution) mortgaged or secured in accordance with a Borrower Security Document; and
  - (w) either (i) the consent of the C Lender has been obtained (such consent not to be unreasonably withheld or delayed), or (ii) five Business Days have passed since notification of the proposed substitution to the C Lender and the C Lender has not withheld its consent.
- (B) notwithstanding that the conditions set out above may not be satisfied, the Borrower may still dispose of a Property or its shares in a Propco if, the Servicer gives its consent to the proposed substitution and the Rating Agencies confirm that the ratings of the Notes will not be downgraded, qualified or withdrawn as a result of the proposed substitution.

Any disposal or substitution permitted in accordance with the above shall be subject to:

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

In the case of a substitution of a Property for an Additional Property (and/or an Additional Guarantor) where the Net Disposal Proceeds in respect of the Property or Propco disposed of is greater than the gross acquisition cost of the Additional Property (or the Additional Guarantor), the Obligors must ensure and, if applicable, procure that the Share Mortgagors, ensure, an amount is applied in prepayment of the Loans in accordance with the Issuer/Borrower Loan Agreement.

For the purposes of this section "Substitution Criteria", "value" means the open market value of any Property or Additional Property as determined by the most recent valuation in respect of the Property or Additional Property.

### **Warehousing proceeds for substitution**

The Borrower may elect to warehouse the Net Disposals Proceeds (the "**Warehoused Proceeds**") by paying them to the Cash Collateral Account provided that the following conditions are satisfied:

- (a) the Borrower must select a date (the "**Proposed Acquisition Date**") falling within 12 months of the date of the relevant disposal (but no later than the fourth Loan Interest Payment Date after the disposal) by which it will use the Warehoused Proceeds to finance the acquisition of an Additional Property, or, if applicable, an Additional Guarantor;
- (b) if the Warehoused Proceeds are not used to finance the acquisition of an Additional Property, or, if applicable, an Additional Guarantor before the Proposed Acquisition Date, the Borrower must on the Proposed Acquisition Date use the Warehoused Proceeds to prepay the Issuer/Borrower Loan in an amount which would have been required to be prepaid under the Issuer/Borrower Loan Agreement;

- (c) if only part of the Warehoused Proceeds are used to finance the acquisition of an Additional Property or, if applicable, an Additional Guarantor before the Proposed Acquisition Date, a portion of the Warehoused Proceeds shall be used to repay the Loan in an amount equal to 110 per cent. of the difference between:
  - (A) the Allocated Loan Amount for the Additional Property; and
  - (B) the Allocated Loan Amount of the substituted Property;
- (d) the Borrower must on the date of the relevant disposal purchase from the Swap Counterparty an option to break the swap on the Proposed Acquisition Date in an amount equal to the maximum notional principal amount which may be required to be repaid under paragraph (ii) or (iii) above and if the Borrower received the Warehoused Proceeds before or after the Proposed Acquisition Date it must pay any break costs which arise in connection with the Swap Agreement as a result of the receipt of such proceeds; and
- (e) the Warehoused Proceeds must exceed the aggregate of:
  - (i) the amounts set out in sub-paragraph (i) and (iv) of the definition of Release Price Amount above;
  - (ii) any Tax liabilities associated with the relevant disposal (excluding Tax liabilities calculated by reference to the net income of the Group); and
  - (iii) the difference between:
    - (A) the applicable LIBOR and Margin on the amount of the Warehoused Proceeds (if it were treated as a Loan);
 and
    - (B) the interest that will accrue in respect of the Warehoused Proceeds (as determined by the Issuer, or the Borrower Security Trustee),

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

### **Works/Major Works/Redevelopments**

No Works may be undertaken in respect of a Property by an Obligor except where they comply with the Standard Upgrade Criteria.

No Works in excess of £1,000,000 may be undertaken in respect of Marathon House except where the Borrower Security Trustee, the B Lender and the C Lender have given their written consent. No Major Works may be undertaken in respect of Aspects Leisure Park except where the Borrower Security Trustee, the B Lender, the C Lender, and the Rating Agencies have confirmed that as a result of those Major Works the then current ratings of the Notes will not be withdrawn, downgraded or qualified.



No Major Works may be undertaken in respect of a Property by an Obligor except where:

- (a) the estimated costs of such Major Works do not exceed 10 per cent. of the market value of the Property (determined in accordance with the Initial Valuation, save that in the case of such Property the Valuation of such Property obtained immediately prior to its becoming an Additional Property shall be used);
- (b) the estimated costs of such Major Works when aggregated with the cost of Major Works for other Properties on which Major Works are being carried out at that time does not exceed 2.5 per cent. of the aggregate market value of the Properties (determined in accordance with the Initial Valuation of the Properties) or, in the case of a substituted Property the Valuation of such Property at the time of the Substitution and either:
  - (I) a cash amount equal to 110 per cent. of the estimated costs of such Major Works (including irrecoverable VAT) has been deposited into the Cash Collateral Account; or
  - (II) a performance bond has been provided by a bank (whose short term, unsecured and unguaranteed debt obligations are rated A-1+ by S&P and F-1+ by Fitch) for 110 per cent. of the estimated build costs (including irrecoverable VAT) at such time in order to guarantee the funding of the Major Works in question.
- (c) in relation to Major Works, if those Major Works will result in an abatement, reduction or other non-payment of Net Rental Income for any Property, and the Interest Cover is less than 120 per cent. the Borrower shall deposit the Major Shortfall Amount into the Cash Collateral Account prior to the commencement of such Major Works; and
- (d) the Major Works are to be scheduled for completion:
  - (i) within 18 months of their commencement; or
  - (ii) no later than 6 months of the Loan Maturity Date,whichever is the earliest.
- (e) the Obligor has provided (or used its best endeavours to procure that there is granted or given) such collateral warranties, assignments, evidence of insurance or other agreement, document or information as the Issuer may require, or the Borrower Security Trustee may require in relation to those Major Works;
- (f) the contracts or appointments for each main contractor, consultant and principal design sub-contractor are in an institutionally acceptable form (and without prejudice to the foregoing, the Obligor shall have used its reasonable endeavours to procure that those contracts or appointments contain provision for assignment to two successors in title of the relevant Obligor and that those contractors, consultants and principal design sub-contractors (as applicable) issue warranties to the Borrower Security Trustee at the request of the Obligor (or any successor to such Obligor) which correspond to the warranties they provide to the Obligor);

- (g) the Major Works are carried out and completed free from any goods, materials, substances or products not in accordance with relevant British and European Standards and Codes of Practice or otherwise generally known or suspected within the construction or engineering industries at the time of use to be deleterious to health and safety or to the durability of the works in the particular circumstances in which they are used;
- (h) the relevant Obligor(s) act and are regarded collectively as the only client for the purposes of the Construction (Design and Management) Regulations 1994, (the "**CDM Regulations**") in relation to the works and make the necessary declaration (in accordance with paragraph 4(4) of the CDM Regulations) and comply with all their obligations as client under the CDM regulations or other applicable regulations.

Where the Borrower has deposited amounts into the Cash Collateral Account in accordance with paragraphs (b) and (c) above, the Borrower Security Trustee will, at the request of the Borrower apply that amount by way of transfer to the General Account following the completion of the Major Works to which those funds relate.

The Borrower may undertake Major Works which do not comply with paragraphs (a) to (d) (inclusive) above if the Borrower Security Trustee, the B Lender and the C Lender consent to such works and the Rating Agencies have confirmed that as a result of commencing such works the then current ratings of the Notes will not be withdrawn, qualified or downgraded.

The Borrower shall ensure that the Standard Upgrade Criteria continues to be met for each Major Work and shall use its best endeavours to enforce its rights (or ensure that the relevant Obligor uses its best endeavours to enforce its rights) under any relevant building contract, construction contract, sub-contract or appointment including, but not limited to, the right to call for the rectification or making good of any defects.

If a Loan Event of Default is continuing and if there are any Major Works on which works are continuing or have been practically completed in the six months prior to the occurrence of that Loan Event of Default, the Borrower shall provide to the Issuer or the Borrower Security Trustee, or use its best endeavours to procure that there is granted or given to the Issuer or the Borrower Security Trustee, such collateral warranties, assignments, evidence of insurance or other agreement, document or information as the Issuer may require, or the Borrower Security Trustee may require (as determined further to independent expert advice at the expense of the Borrower and on which the Borrower Security Trustee shall be entitled to rely without any liability to any person) in relation to those Major Works.

**"Major Works"** means any Works on a Property (except for Pre-agreed Developments) where the Borrower (acting reasonably and after having sought the advice of the Property Manager) is satisfied that:

- (a) the cost of such Works will be greater than the higher of (i) £1,000,000 and (ii) five per cent. of the aggregate of the Market Value of each of the Properties (as set out in the Initial Valuation save that in the case of an additional Property, the Valuation of the Additional Property obtained immediately prior to its becoming an additional Property for these purposes shall be used); or
- (b) the cost of such Works, when aggregated with the cost of Works for other Properties on which Works are being carried out at that time will be greater than 5 per cent. of

the aggregate of the Market Value of the Properties (as set out in the Initial Valuation save that in the case of an additional Property, the valuation of the additional Property obtained immediately prior to its becoming an additional Property for these purposes shall be used).

**"Permitted Purpose"** means that a property is used either as a bingo hall, cinema, data centre, gaming hall or gymnasium.

**"Pre-Agreed Developments"** means Marathon House.

**"Shortfall Amount"** means in relation to any Major Works which will result in an abatement, reduction or other non-payment of Net Rental Income, an amount calculated by the Issuer (acting reasonably) as is equal to such abatement, reduction or other non-payment of Net Rental Income during the period estimated by the Issuer (acting reasonably) required to fully carry out and complete such Major Works.

**"Standard Upgrade Criteria"** are:

- (a) only reputable contractors, builders or other professionals or persons shall be appointed in respect of any Works and, in the case of the professionals, they shall have and maintain an institutionally acceptable level of professional indemnity cover;
- (b) any necessary permission or consent required for the carrying out of the Works has been obtained from all relevant planning authorities and any other competent authorities under any applicable statute and from the insurers of the relevant Property;
- (c) written notice of the commencement of the Works has been given to the insurers of the Property (where the policy so requires) and the requirement of such insurers regarding the Works has been complied with;
- (d) the Works are carried out in accordance with current codes of building practice; and
- (e) written notice of the commencement of the Works has been given to the Rating Agencies and the Issuer.

**"Works"** means any construction, rebuilding or material structural alteration or material refurbishment carried out, or proposed to be carried out, on a Property.

## AVAILABLE FUNDS AND THEIR PRIORITY OF APPLICATION

The Servicer will, on behalf of the Borrower Security Trustee, transfer from the Borrower Transaction Account to the Lenders' Account on each Loan Interest Payment Date monies due to the Issuer, the B Lender and the C Lender under the Finance Documents. The Servicer will allocate funds among the Lenders (and the other parties to whom payments are to be made under the Intercreditor Agreement in the order of priority set out in the Intercreditor Agreement including all sums due to the Issuer under the Issuer/Borrower Loan Agreement which will be transferred to the Issuer Transaction Account.

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

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

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

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

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

Prior to a Note Acceleration Notice being served, on each Note Interest Payment Date the amount standing to the credit of the Issuer Transaction Account shall be applied in the following order of priority (the "**Pre-Enforcement Priority of Payments**"), in each case only to the extent that items ranking in priority of payment have been paid in full and the relevant payment does not cause the Issuer Transaction Account to become overdrawn:

- (a) *first*, to pay all of the remuneration, costs, expenses and indemnification of the Note Trustee or any agent or appointee thereof;
- (b) *then*, to pay, *pari passu* and *pro rata*, the remuneration, costs and expenses of the Paying Agents, the Agent Bank under the Agency Agreement, the Cash Manager and the Calculation and Reporting Agent under the Cash Management Agreement, the Corporate Services Provider under the Corporate Services Agreement and the Account Bank under the Account Bank Agreement;
- (c) *then*, on a *pari passu* basis, to the extent not already paid, any Servicing Fee due from the Issuer to the Servicer and any Special Servicing Fee, Liquidation Fee and Work-

out Fee due from the Issuer to the Special Servicer and any other amounts due from the Issuer to the Servicer or the Special Servicer under the Servicing Agreement;

- (d) *then*, in or towards payment, pro rata, of any amounts that the Issuer has agreed to pay to the Borrower or the Swap Counterparty on the Borrower's behalf in respect of any Hedging Loans on such Note Interest Payment Date;
- (e) *then*, to pay all fees and interest due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement (but excluding any Liquidity Subordinated Amounts);
- (f) *then*, to pay all principal due and payable to the Liquidity Facility Provider under the Liquidity Facility Agreement (except, in the case of a Stand-by Loan, to the extent repaid using funds standing to the credit of the Stand-by Account);
- (g) *then*, to pay, pari passu and pro rata:
  - (i) any amounts payable by the Issuer in respect of the Issuer's operating expenses incurred in the course of the Issuer's business (other than as provided elsewhere in this priority of payments) that have become due and payable, including any amounts payable by the Issuer in respect of its establishment, maintenance and good standing; and
  - (ii) any amounts payable by the Issuer in respect of any tax (including United Kingdom corporation tax) for which the Issuer is primarily liable under the laws of any jurisdiction,(together with expenses provided in paragraphs (a) to (f) of the Pre-Enforcement Priority of Payments, the "**Senior Expenses**");
- (h) *then*, to pay all amounts of interest due and payable in respect of the Class A Notes;
- (i) *then*, to pay all amounts of interest due and payable under the Class B Notes;
- (j) *then*, to pay all amounts of principal due and payable under the Class A Notes;
- (k) *then*, to pay all amounts of principal due and payable under the Class B Notes;
- (l) *then*, to pay to the Liquidity Facility Provider any Liquidity Subordinated Amounts; and
- (m) *finally*, to pay amounts equal to 0.01 per cent. of Available Issuer Income in respect of such Note Interest Payment Date to the Issuer.

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

Following a Note Acceleration Notice being served, amounts standing to the credit of the Issuer Transaction Account shall be applied in the following order of priorities (the "**Post-Acceleration Priority of Payments**") in each case only to the extent that the items ranking in

priority of payment have been paid in full and the relevant payment does not cause the Issuer Transaction Account to become overdrawn:

- (a) *first*, to pay all of the remuneration, costs, expenses and indemnification of the Note Trustee or any appointee and any receiver appointed by the Note Trustee;
- (b) *then*, to pay, *pari passu* and *pro rata*, the remuneration, costs and expenses of the Agent Bank and the Paying Agents under the Agency Agreement, the Cash Manager and the Calculation and Reporting Agent under the Cash Management Agreement, the Corporate Services Provider under the Corporate Services Agreement and the Account Bank under the Account Bank Agreement;
- (c) *then*, on a *pari passu* basis, to the extent not already paid, any Servicing Fee due from the Issuer to the Servicer and any Special Servicing Fee, Liquidation Fee and Work-out Fee due from the Issuer to the Special Servicer and any other amounts due from the Issuer to the Servicer or the Special Servicer under the Servicing Agreement;
- (d) *then*, to pay to the Liquidity Facility Provider all amounts due under the Liquidity Facility Agreement (excluding any Liquidity Subordinated Amounts and, in the case of a Stand-by Loan, amounts due to the extent repaid using funds standing to the credit of the Stand-by Account);
- (e) *then*, to pay all amounts of interest due in respect of the Class A Notes;
- (f) *then*, to pay all amounts of principal due under the Class A Notes;
- (g) *then*, to pay all amounts of interest due in respect of the Class B Notes;
- (h) *then*, to pay all amounts of principal due under the Class B Notes;
- (i) *then*, to pay, to the Liquidity Facility Provider any Liquidity Subordinated Amounts.

Any surplus shall be paid to the Issuer.

## **USE OF PROCEEDS**

The gross proceeds of the issue of the Notes will be £264,302,000. On or about the Closing Date, the Issuer will make two advances to the Borrower of £264,302,000 in total, pursuant to the Issuer/Borrower Loan Agreement. On or about the Closing Date, the Borrower will make one or more advances (using the proceeds of the Notes and the advances made under the B Loan Agreement and the C Loan Agreement) to the Propcos of approximately £165,967,000 in total under the Intra-Group Loan Agreement.

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

## THE ISSUER

The Issuer, Fordgate Commercial Securitisation No. 1 plc, was incorporated in England and Wales on 15 September, 2006 (registered number 5937113), as a public company with limited liability under the Companies Act 1985. The registered office of the Issuer is at 35 Great St. Helen's, London EC3A 6AP and its contact telephone number is +44 (0)207 398 6300. The Issuer is organised as a special purpose vehicle and its activities are limited accordingly. The Issuer has no subsidiaries. The entire issued share capital of the Issuer is held by or on behalf of Optionco.

### 1. Principal Activities

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

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

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

### 2. Directors and Secretary

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

<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 vehicles
SFM Directors (No. 2) Limited	35 Great St. Helen's, London EC3A 6AP	Provision of directors to special purpose vehicles

The directors of SFM Directors Limited (registered number 3920254), SFM Directors (No. 2) Limited (registered number 4017430) and SFM Corporate Services Limited as at the date of the Prospectus are Jonathan Keighley, James Macdonald, Robert Berry and James France (together with their alternate directors Annika Goodwille, Helena Whitaker, Claudia Wallace, J-P Nowacki and Cane Pickersgill), whose business



addresses are 35 Great St. Helen's, London EC3A 6AP and who perform no other principal activities outside the Issuer which are significant with respect to the Issuer.

The company secretary of the Issuer is SFM Corporate Services Limited, whose business address is 35 Great St. Helen's, London EC3A 6AP.

### **3. Capitalisation**

The authorised share capital of the Issuer is £50,000, all of which has been issued which is paid up to £12,501.50. Optionco holds 49,999 of the issued shares and the Share Nominee holds one of the issued shares.

### **4. Financial Information**

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

## THE BORROWER

The Borrower, Jupiter Properties Finance Limited, was incorporated in England on 7 September 2006 (registered number 5927843), as a private company with limited liability under the Companies Act 1985. The registered office of the Borrower is at Fordgate House, 1 Allsop Place, London NW1 5LF and its contact telephone number is +44 (0)207 224 1234.

The authorised share capital of the Borrower is £1,000, divided into 1,000 ordinary shares of £1 each, all of which have been issued fully paid and are held by Fordgate Intermediate Co.

### 1. Principal Activities

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

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

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

### 2. Directors and Secretary

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

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Michael Wechsler	Fordgate House, 1 Allsop Place, London NW1 5LF	<u>Director</u>

The company secretary of the Borrower is Simon Jacobs. The Borrower has no employees.

## THE PROPCOS

The Propcos are incorporated and registered in Gibraltar under the Companies Ordinance of Gibraltar. The registered office of each of the Propcos is at Suites 7B and 8B, 50 Town Range, Gibraltar and the contact telephone number for each of the Propcos is 00 350 40000.

The authorised share capital of each Propco is £1,000 divided into 1,000 ordinary shares of £1 each of which one has been issued and is held by Jupiter Properties Limited.

### 1. Principal Activities

The objects of each Propco are set out in their Memorandum of Association. Their objects are to carry on business as a general commercial company, which includes:

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

### 2. Directors and Secretary

The Director of each of the Propcos and the Director's business address and other principal activities are:

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Finsbury Corporate Services Limited	Suites 7B & 8B, 50 Town Range, Gibraltar	<u>Director</u>

The company secretary of each of the Propcos is Finsbury Secretaries Limited.

## THE FORDGATE GROUP

Fordgate is the United Kingdom representative of an off-shore family trust (the "**Fordgate Group**"). Fordgate was originally established in 1985. Since 1985 Fordgate has become one of the UK's largest privately owned property companies which (according to the Fordgate Group's internal estimates) has a portfolio of approximately £1,200,000,000 across the UK and Europe.

Fordgate has been an owner of industrial and retail properties in the past but now primarily concentrates on office properties.

The Fordgate Group is headquartered in Gibraltar and operates out of offices in London, New York and Prague and includes a property portfolio which covers holdings which according to the Fordgate Group's internal estimates have approximately the following value in the following countries:

United Kingdom: £806,000,000

Germany, France, Belgium, Austria, Switzerland: €370,000,000

Czech Republic, Slovakia and Poland: €257,000,000

United States: \$50,000,000

Solarviews Limited holds all the issued share capital of Rainbow Star Limited. It is part of the Fordgate Group by ultimately having its shares held by the offshore trust which is the ultimate holding vehicle of the Fordgate Group.

The Fordgate Group owns 50 per cent. of the Property Manager's issued share capital.

The Issuer has not independently verified the information in this section of the Offering Circular which has been obtained from the Fordgate Group.

# THE PROPERTIES

## INTRODUCTION

### Overview

Set out on the following pages is an overview of certain characteristics of the portfolio and some of the Properties within the portfolio. This overview does not include information on all the Properties. Further information in relation to the properties is contained in the tenant database set out in Appendix C to this Offering Circular, and in the full Valuation Reports reproduced on the CD-ROM which is available on request from the Issuer, see further the section headed "CD-ROM" below.

Information relating to the Properties contained in this Offering Circular (other than information contained in the Valuation Reports and the section "*Valuation Report*" below) is correct as at 27 September 2006 (the "**Cut-Off Date**") and is subject to change between that date and the Closing Date.

In this section rental figures are taken from information supplied by the Property Manager, as checked in the certificates of title. Areas and measurements are based upon the net lettable area of the relevant property and are based upon information supplier in the valuation report.

Developments are planned in relation to the Marathon House, Trident Retail Park and Aspects Leisure Park Properties which may affect their value. Please see further the risk factor headed "Developments".

Figures for number of leases include short-term or temporary licences as well as longer term tenancies. In the case of the multi-let properties, figures are approximate and may fluctuate. Where reference is made to agreements that have not yet been entered into, the terms of such agreements may alter.

### Portfolio Summary

<p>Fordgate Group is securitising £482,900,000 worth of U.K. assets (the "<b>Portfolio</b>"). The Portfolio consists of a large number of properties (22) with mainly office use and with diversified locations (UK-wide). At 97 per cent. occupancy and an overall weighted average remaining lease-length of 9.0 years, this Portfolio also offers relatively stable cashflows. The Portfolio is managed by Mayfield Asset and Property Management.</p> <p>The securitisation has been divided into two sub-pools (each a "<b>Sub-Pool</b>"): </p> <ol style="list-style-type: none"> <li>1) the Office Portfolio</li> <li>2) the Retail &amp; Other Portfolio</li> </ol>	<div style="background-color: #d9ead3; padding: 5px;"> <p><b>Property Pool</b></p> <p><b>Geographical Distribution by Market Value</b></p> </div> <table border="1"> <thead> <tr> <th>Region</th> <th>Number of Properties</th> <th>Market Value Percentage</th> </tr> </thead> <tbody> <tr> <td>Scotland</td> <td>5</td> <td>37%</td> </tr> <tr> <td>North East</td> <td>2</td> <td>15%</td> </tr> <tr> <td>North West</td> <td>3</td> <td>11%</td> </tr> <tr> <td>Yorkshire and Humble</td> <td>5</td> <td>17%</td> </tr> <tr> <td>Midlands</td> <td>2</td> <td>1%</td> </tr> <tr> <td>East of England</td> <td>2</td> <td>4%</td> </tr> <tr> <td>Central London</td> <td>1</td> <td>12%</td> </tr> <tr> <td>South West</td> <td>1</td> <td>2%</td> </tr> <tr> <td>South East</td> <td>1</td> <td>&lt;1%</td> </tr> </tbody> </table>	Region	Number of Properties	Market Value Percentage	Scotland	5	37%	North East	2	15%	North West	3	11%	Yorkshire and Humble	5	17%	Midlands	2	1%	East of England	2	4%	Central London	1	12%	South West	1	2%	South East	1	<1%
Region	Number of Properties	Market Value Percentage																													
Scotland	5	37%																													
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South East	1	<1%																													

Portfolio Overview <sup>(1)</sup>												Largest Assets			
Type	# of Assets	# of Leases	Valuation (£ MM)	% of Total	Area (sq. ft)	Occupancy (%)	Net Rent (£ MM) <sup>(2)</sup>	% of Total	ERV (£ MM) <sup>(2)</sup>	% of Total	Name	Location	OMV (£ MM)	% of Port.	
Office	12	113	360.8	74.7	1,486,530	99	21.0	75.1	23.2	75.4	Argyle House Trident	Edinburgh	60.0	12.4	
Retail and Various	10	40	122.1	25.3	1,005,542	94	7.0	24.9	7.6	24.6		Runcorn	49.5	10.3	
<b>Total</b>	<b>22</b>	<b>153</b>	<b>482.9</b>	<b>100</b>	<b>2,492,072</b>	<b>97</b>	<b>28.0</b>	<b>100</b>	<b>30.8</b>	<b>100</b>			<b>109.5</b>	<b>23</b>	

Source: Fordgate Group (and in the case of Valuation and ERV figures, the Valuation)

Notes

- Values may not sum exactly to the numbers in the "Total" row due to rounding. All terms are defined in the Offering Circular
- Net of headlease obligations

Property Overview – Property Type										
Region	# of Assets	# of Leases	Market Value (£ MM)	% of Total	Area (sq. ft)	Passing Rent (£ MM)	% of Total	ERV (£ MM)	% of Total	
Distribution	1	2	16.6	3.4	400,995	1.4	5.0	1.2	3.9	
Leisure	2	13	28.2	5.8	194,825	2.0	7.0	1.9	6.2	
Leisure/Retail	1	12	49.5	10.3	198,699	2.1	7.4	2.7	8.8	
Auto	6	13	27.9	5.8	211,023	1.5	5.5	1.8	5.8	
Showrooms										
Office	11	89	354.1	73.3	1,426,713	20.5	73.4	22.7	73.7	
Office/Retail	1	24	6.8	1.4	59,817	0.5	1.7	0.5	1.6	
<b>Total</b>	<b>22</b>	<b>153</b>	<b>482.9</b>	<b>100.0</b>	<b>2,492,072</b>	<b>28.0</b>	<b>100.0</b>	<b>30.8</b>	<b>100.0</b>	

Source: Fordgate Group (and in the case of Market Value and ERV figures, the Valuation)

Notes

- Values may not sum exactly to the numbers in the "Total" row due to rounding. All terms are defined in the Offering Circular
- Net of headlease obligations

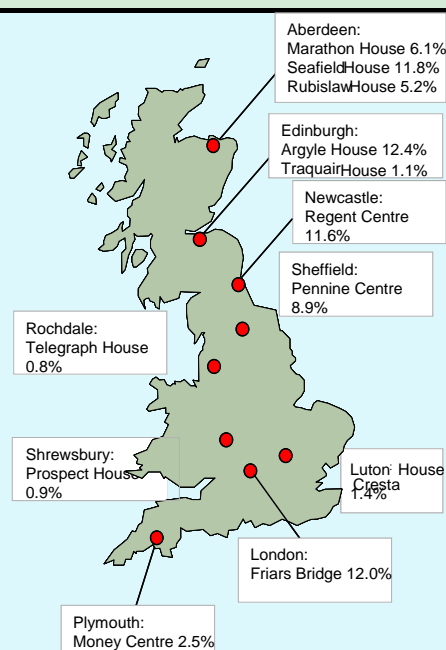
Top 10 Tenants										
Tenant Name	Rating (S/M/F)	Location	Main Asset (Use)	Passing Rent (£MM)	% of Total	Area (sq. ft)	% of Total	Break Date	Expiry Date	
BRB Residuary Ltd (British Railways Board)	AAA/Aaa/AAA	Central London	Friars Bridge (Office)	3.5	12.5	96,137	3.9	-	24-03-2011	
Secretary of State for the Environment	AAA/Aaa/AAA	Edinburgh	Argyle House (Office)	3.3	12.0	338,708	13.6	Varies, earliest 01-04-2007 to 25-12-2012	Varies, earliest 24-12-2010 to 15-05-2033	
HSBC Plc	A+/Aa2/AA	Sheffield	Pennine Centre (Office)	2.7	9.7	240,896	9.7	-	24-12-2010 to 15-05-2033	
Shell UK Ltd	AA/Aa1/NR	Aberdeen	Seafield House (Office)	2.4	8.5	118,990	4.8	-	24-12-2013	
Marathon International Petroleum	BBB+/Baa1/BBB+	Aberdeen	Marathon House (Office)	1.7	6.0	95,916	3.8	-	28-03-2009	
Conoco (UK) Ltd	A-/A1/A-	Aberdeen	Rubislaw House (Office)	1.6	5.6	91,660	3.7	-	24-03-2017	
Chevron UK Ltd	AA/Aa2/AA	Aberdeen	Seafield House (Office)	1.4	5.0	72,519	2.9	-	31-12-2009	
TNT Logistics (UK) Ltd	A/A2/NR	Hull	Melton Enterprise Park (Distribution)	1.4	5.0	400,995	16.1	01-07-2007	28-02-2008 and 28-11-2010	
Dixon Motor Holdings Ltd	NR	Various (6 properties)	Dixons Portfolio (Auto Showrooms)	1.3	4.7	179,621	7.2	-	Varies earliest 03-02-2029 to 24-12-2030	
Northern Rock Plc	A/A1/A+	Newcastle	Regent House (Office)	1.0	3.6	71,660	2.9	-	23-06-2012 and 18-01-2015	
<b>Subtotal</b>				<b>20.3</b>	<b>72.6</b>	<b>1,707,102</b>	<b>68.5</b>			
<b>Remaining Tenants (94)</b>				<b>7.7</b>	<b>27.4</b>	<b>784,970</b>	<b>31.5</b>			
<b>Total</b>				<b>28.0</b>	<b>100.0</b>	<b>2,492,072</b>	<b>100.00</b>			

Source: Fordgate Group

## Office Portfolio

- Fordgate has extensive experience in the UK office investment market. The current Fordgate UK office portfolio includes 12 separate multi-and single let investments
- This portfolio consists of 9 properties distributed throughout the UK and 3 adjacent properties in Aberdeen
- 1 property in the London area (16 per cent. of the sub-portfolio by Market Value and 17 per cent. by rent)
- The largest office property by rent is Seafield House located in Aberdeen. This asset is fully let to Shell and Chevron at a rent of £3,900,000 p.a.

### Geographical Distribution (% by total MV)



### Office Portfolio Overview

Property	Town	Region	Main Use	# of Leases	Market Value (£ MM)	% of Total	Area (sq ft)	Passing Rent (£ MM)	Net Initial Yield (%)	ERV (£ MM)	Occupancy (%)	Tenure
Argyle House	Edinburgh	Scotland	Office	1	60.0	16.6	225,280	2.2	3.7	3.5	100.0	Heritable
Friars Bridge	London SE1	Central London	Office	1	58.0	16.1	96,137	3.5	6.0	2.8	100.0	Freehold
Regent Centre	Newcastle	North East	Office	42 <sup>(1)</sup>	56.0	15.5	309,158	3.2	5.8	4.2	95.3	Freehold
Seafield House	Aberdeen	Scotland	Office	5	56.9	15.8	197,030	3.9	6.8	4.0	100.0	Leasehold
Pennine Centre	Sheffield	Yorkshire and the Humber	Office	1	43.0	11.9	240,896	2.7	6.3	2.9	100.0	Freehold
Marathon House	Aberdeen	Scotland	Office	3	29.6	8.2	95,916	1.7	5.7	1.9	100.0	Leasehold
Rubislaw House	Aberdeen	Scotland	Office	1	25.3	7.0	91,660	1.6	6.2	1.7	100.0	Leasehold
Money Centre	Plymouth	South West	Office	14	11.9	3.3	74,634	0.8	6.6	0.8	100.0	Freehold
Cresta House	Luton	East of England	Office/Retail	24	6.8	1.9	59,817	0.5	7.1	0.5	100.0	Freehold
Traquair House	Edinburgh	Scotland	Office	1	5.2	1.4	21,338	0.4	6.8	0.4	100.0	Heritable
Prospect House	Shrewsbury	Midlands	Office	12	4.3	1.2	32,045	0.3	6.7	0.3	89.6	Freehold
Telegraph House	Rochdale	North West	Office	8	4.0	1.1	42,619	0.3	7.5	0.3	100.0	Freehold
<b>Total</b>				<b>113</b>	<b>360.8</b>	<b>100.0</b>	<b>1,486,530</b>	<b>21.0</b>	<b>5.8</b>	<b>23.3</b>	<b>98.8</b>	

Note

1) Figure includes additional licences/letting agreements

Office Portfolio - Top 10 Tenants										
Tenant Name	Ratings (S/M/F)	# of Leases	Main Asset	Passing Rent (£ MM)	% of Total	Area (sq ft)	% of Total	Passing Rent/sq ft (£)	Break Date	Expiry Date
BRB Residuary Ltd (British Railways Board)	AAA/Aaa/AAA	1	Friars Bridge	3.5	16.7	96,137	6.5	36.4	-	24-03-2011
Secretary of State for the Environment	AAA/Aaa/AAA	10	Argyle/Regent/Cresta/Prospect House	3.3	16.0	338,708	22.8	9.9	Varies, earliest 01-04-2007 to 25-12-2012	Varies, earliest 24-12-2010 to 15-05-2033
HSBC Plc	A+/Aa2/AA	1	Pennine Centre	2.7	13.0	240,896	16.2	11.3	-	24-12-2013
Shell UK Ltd	AA/Aa2/AA	1	Seafield House	2.4	11.3	118,990	8.0	20.0	-	28-03-2009
Marathon International Petroleum	BBB+/Baa1/BBB+	3	Marathon House	1.7	8.0	95,916	6.5	17.5	-	24-03-2017
Conoco (UK) Ltd	A-/A1/A-	1	Rubislaw House	1.6	7.4	91,660	6.2	17.0	-	31-12-2009
Chevron UK Ltd	AA/Aa2/AA	3	Seafield House	1.4	6.5	72,519	4.9	18.9	-	28-02-2008 and 23-11-2010
Northern Rock Plc	A/A1/A+	4	Regent House	1.0	4.8	71,660	4.8	13.9	-	23-06-2012 and 18-01-2015
Western Mortgages	NR	2	Money Centre	0.5	2.2	42,735	2.9	10.6	21-11-2009	13-10-2006 and 21-11-2014
ST Microelectronics Ltd	A-/A3/NR	1	Traquair House	0.4	1.6	21,338	1.4	16.6	-	22-03-2015
<b>Subtotal</b>		<b>27</b>		<b>18.4</b>	<b>87.5</b>	<b>1,190,559</b>	<b>80.1</b>	<b>15.4</b>		
Other Tenants		86		2.6	12.5	295,971	19.9	8.9		
<b>Total</b>		<b>113</b>		<b>21.0</b>	<b>100.0</b>	<b>1,486,530</b>	<b>100.0</b>	<b>14.1</b>		

## Argyle House

Property Summary		
Property Type	Office	<p>An office property benefiting from a prime, city-centre location immediately to the south of Edinburgh Castle and 1/3 miles to the south of Princes Street which is the main retail thoroughfare in the city.</p> <p>The property was purchased in December 2002 by Barnwell Properties Limited. It is fully let to the Secretary of State for the Environment (AAA/Aaa/AAA) until 2033. It comprises an office building which is arranged in three sections. Blocks A and B are eleven stories in height and are connected by means of a central service core. The North Block is five stories in height.</p> <p>The building was constructed in 1969 and mainly provides office accommodation. It also incorporates a staff restaurant, storage and two levels of car parking. The building has been refurbished by the tenant at various times during the term of the lease and provides a good specification for a building of this age.</p> <p>The location is very good and provides magnificent views of Edinburgh Castle and is within walking distance to the retail facilities on Princes Street. This location would be particularly suitable for residential development or a hotel development if the building ceased to be used for offices purposes in the future.</p>
Region	Scotland	
Address	3 Lady Lawson Street, Edinburgh	
Size (sq ft)	225,280	
Market Value (£ MM)	60.0	
Number of Leases	1	
Net Initial Rent (£ MM)	2.2	
ERV (£ MM)	3.5	
WA Remaining Lease (yrs)	26.7	
Net Initial Yield (%)	3.7	
Occupancy (%)	100.0	
Tenure	Heritable	

The gross current rent of Argyle House is £2,375,000, although of this the sum of £163,110 is currently paid to a (third party) facilities management company which is responsible for maintenance and repair of the premises. The net rent is accordingly £2,211,890 per annum, which is 10.5 per cent. of the total current rent of this Sub-Pool of properties. The lease expires in May 2033. There is a rent review in May 2011; the property is highly reversionary with an estimated market rent of £3,500,000.



## Friars Bridge Court

Property Summary		
Property Type	Office	<p>Friars Bridge Court was purchased in Dec 2002. It is a modern, high quality office building fully let with a FRI lease to BRB (Residuary) Limited (AAA/Aaa/AAA), a successor entity to the British Railways Board until March 2011.</p> <p>The subject property comprises a detached ten story office building which was built around 1991. It provides office accommodation on the ground to eighth floor levels and ancillary storage and plant accommodation at basement level and roof top level. The building is of framed construction with elevations which are formed partly of composite panels and partly of glazed curtain walling.</p> <p>Each of the office floors is arranged to provide office accommodation. The upper floors are set back from the lower levels and the floor plates are consequently smaller. While originally arranged in clear space the floors have been divided by either the tenants or sub-tenants by means of demountable partitioning to provide individual office areas.</p> <p>To the rear of the ground floor is a car park which provides spaces for a total of 11 cars. Motorbike and cycle parking are also provided.</p>
Region	Central London	
Address	41-45 Blackfriars Road, London	
Size (sq ft)	96,137	
Market Value (£ MM)	58.0	
Number of Leases	1	
Net Initial Rent (£ MM)	3.5	
ERV (£ MM)	2.8	
WA Remaining Lease (yrs)	4.5	
Net Initial Yield (%)	6.0	
Occupancy (%)	100.0	
Tenure	Freehold	

The rent for Friars Bridge Court is £3,500,000 p.a. (16.7 per cent. of total current rent of sub pool), making it the largest cash flow stream from a single tenant. The property is valued at £58,000,000, the second largest among all the properties in this securitisation.

## Regent Centre

Property Summary		
Property Type	Office	<p>Located within Gosforth, a residential suburb 2 miles north of the Newcastle city centre, adjoining the Regent Centre Metro Station and occupying a prominent position on the Great North Road, one of the city's main aerial routes, with access to the Western Bypass and only minutes from Newcastle airport.</p> <p>The property includes 6 interlocking self-contained office buildings, totalling 309,158 sq ft, and forms part of the Regent Centre, one of the region's premiere office locations.</p> <p>The freehold property was acquired by Fordgate Group in 1996.</p> <p>Completed over a 12 year period in 1968, the buildings are all constructed to a similar standard, with raised concrete floors and tiled ceiling systems, and have all been recently refurbished. The buildings benefit from approximately 1,000 marked up surface and multi-storey car parking spaces on site.</p>
Region	North East	
Address	Gosforth, Newcastle-upon-Tyne	
Size (sq ft)	309,158	
Market Value (£ MM)	56.0	
Number of Leases	42 <sup>(1)</sup>	
Net Initial Rent (£ MM)	3.2	
ERV (£ MM)	4.2	
WA Remaining Lease (yrs)	5.1	
Net Initial Yield (%)	5.8	
Occupancy (%)	95.3	
Tenure	Freehold	

Current passing rent of Regent Centre is approximately £3,200,000 p.a. (15.2 per cent. of total current rent of sub pool)

Principal tenants include Northern Rock Plc (32 per cent. of total current rent of this property, rating (A/A1/A+)), whose HQ building is located just opposite. Northern Rock has always taken space at the Regent Centre to act as additional necessary space and to house sensitive operations such as human resources and joint ventures with organizations such as AXA. When the tenant recently took a lease for 57,000 sq. ft., the tenant did not request a break as part of the negotiations. The longest lease will terminate in January 2015.

Fordgate has spent approximately £1,500,000 on various refurbishments over the time it has owned the property.

Note

1) Figure includes additional leases/letting agreements.

## Seafield House

Property Summary		
Property Type	Office	<p>Seafield House was constructed in 1984 and was purchased by the Fordgate Group in Dec 2002. It is located in close proximity to Marathon House and Rubislaw House, both in this portfolio. The building was designed to provide accommodation in clear space, although parts have been partitioned to provide individual offices, together with restaurant and ancillary accommodation.</p> <p>Raised floors have been installed throughout the property, with the exception of the entrance hall and restaurant at ground floor level.</p> <p>The offices are finished with painted plastered walls and suspended tiled ceilings incorporating recessed fluorescent lighting. The floors are surfaced with carpet tiles with the exception of the reception area, service cores and toilets which are surfaced with tiles. The accommodation is heated by means of perimeter radiators. The first floor is air conditioned and other parts have 'cassette' air conditioning units.</p> <p>Car parking is provided at ground level in tarmac surfaced areas on three sides of the building and at the basement level, access to which is by means of two spiral concrete ramps. A total of approximately 825 car parking spaces are provided.</p>
Region	Scotland	
Address	Hill of Rubislaw, Anderson Drive	
Size (sq ft)	197,030	
Market Value (£ MM)	56.9	
Number of Leases	5	
Net Initial Rent (£ MM)	3.9	
ERV (£ MM)	4.0	
WA Remaining Lease (yrs)	3.0	
Net Initial Yield (%)	6.8	
Occupancy (%)	100.0	
Tenure	Long Leasehold (expires 28 September 2987)	

Seafield House is fully let to Shell (AA/Aa1/NR) and Chevron (AA/Aa2/AA). Mayfield worked closely with Shell, who as a result have removed the break options from their lease.

The total passing rent of this property is £3,885,847 p.a. (18.5 per cent. of current passing rent of this Sub-Pool) which represents the largest among all the assets. This includes approximately £85,000 attributable to space occupied by Universal Sodexo in connection with their management obligations. This property is valued at £56,900,000.

## Pennine Centre

Property Summary		
Property Type	Office	<p>Located in the Sheffield city centre on the edge of what was the traditional office core. It occupies nearly an entire street block being bordered by the Inner Ring Road, Hawley Street, Lee Croft and Silver Street Head. Fordgate acquired the property in 2000 via a sale &amp; leaseback from the tenant, HSBC plc (A+/Aa2/AA).</p> <p>The subject property is fully rented to HSBC with planning permission granted for an additional 98,680 sq ft of floor space.</p> <p>The property was originally developed in the mid-1970s as a headquarters office complex which was assembled by HSBC as a self-contained site. It comprises 5 interlinked buildings with 6 half levels of basement parking. The property was completely refurbished by the tenant in 2000 at a cost of approximately £18,500,000 following Fordgate's purchase of the property and the leaseback by HSBC.</p>
Region	Yorkshire and the Humble	
Address	Tenter Street, Sheffield	
Size (sq ft)	240,896	
Market Value (£ MM)	43.0	
Number of Leases	1	
Net Initial Rent (£ MM)	2.7	
ERV (£ MM)	2.9	
WA Remaining Lease (yrs)	7.3	
Net Initial Yield (%)	6.3	
Occupancy (%)	100.0	
Tenure	Freehold	

The total passing rent for Pennine Centre is £2,724,500 p.a (13.0 per cent. by current passing rent of Sub-Pool) and it is valued at £43,000,000 in the market. The sole tenant, HSBC, has a lease that will expire in December 2013.

## Marathon House

Property Summary		
Property Type	Office	<p>The building was constructed in the mid 1980s and is located in close proximity to Seafield House and Rubislaw House, both in this portfolio, within Aberdeen.</p> <p>Purchased in Dec 2002, Marathon House is currently fully let to Marathon International Petroleum (BBB+/Baa1/BBB+). This building comprises a part three, part four and part five story office building which was constructed approximately 22 years ago.</p> <p>The building is accessed from both the eastern and western elevations, both of which lead to a large reception area. There is a goods lift in the northern section of the building which also serves all floors.</p> <p>The building provides office accommodation that was designed in clear space, but is arranged in a combination of open plan areas and individual rooms which have been formed by partitioning installed by the tenants.</p> <p>Car parking for approximately 215 cars is provided at ground level on two sides of the building and also within a basement car park.</p>
Region	Scotland	
Address	Hill of Rubislaw, Anderson Drive	
Size (sq ft)	95,916	
Market Value (£ MM)	29.6	
Number of Leases	3	
Net Initial Rent (£ MM)	1.7	
ERV (£ MM)	1.9	
WA Remaining Lease (yrs)	10.5	
Net Initial Yield (%)	5.7	
Occupancy (%)	100.0	
Tenure	Long Leasehold (expires 28 September 2987)	

Mayfield have worked closely with Marathon to merge and extend their three leases to a single one to March 2017. The current passing rent is £1,678,396 p.a. (8.0 per cent. by current passing rent of Sub-Pool), and the property has an open market value of £29,600,000.

## Rubislaw House

Property Summary		
Property Type	Office	<p>The building was constructed in the mid 1980s and is located in close proximity to Seafield House and Rubislaw House, both in this portfolio, within Aberdeen.</p> <p>This building was purchased in Dec 2002 and is currently fully let to Conoco UK (A-/A1/A-). The main entrance to the building is on the southern side of the building, which was added in 1995 by the tenant and therefore constitutes a tenant's improvement.</p> <p>This leads to a reception area within which there are two 12 person passenger lifts. The building provides office, restaurant and ancillary accommodation in clear space, large parts of which have been partitioned by the tenant.</p> <p>The offices are finished with painted plastered walls and acoustic tiled suspended ceilings containing recessed fluorescent light fittings. The floors are carpeted with the exception of the stairs and toilets which are surfaced with tiles. The office accommodation is heated by means of perimeter radiator, and also benefits from a comfort cooling system, which is considered tenant's improvement.</p> <p>Surface car parking for approximately 260 cars is provided on three sides of the building.</p>
Region	Scotland	
Address	Hill of Rubislaw, Anderson Drive	
Size (sq ft)	91,660	
Market Value (£ MM)	25.3	
Number of Leases	1	
Net Initial Rent (£ MM)	1.6	
ERV (£ MM)	1.7	
WA Remaining Lease (yrs)	3.3	
Net Initial Yield (%)	6.2	
Occupancy (%)	100.0	
Tenure	Long Leasehold (expires 28 September 2987)	

The tenant, Conoco UK, has the right to extend for a further 15 years after 2009, in three successive five-year extensions, and has spent £8,000,000 on refurbishment and an extension, which was completed 12 months ago. The current passing rent for this building is £1,558,220 p.a. (7.4 per cent. of current rent of Sub-Pool) which will expire in December 2009 and the market value for this property is £25,250,000.

## Money Centre

Property Summary		
Property Type	Office	<p>Located within the ring road at Drakes Circus, Plymouth, approximately 700 meters south of the main railway station, near the city's main retail pitch around Cornwall Street, and directly adjacent to the new Drakes Circus Shopping centre development. The adjoining ring road connects to the A38, Exeter to Plymouth Expressway, 4 miles to the east.</p> <p>Property was originally owned by Western Mortgages and subsequently acquired in August 2000 by Eagle Corporation Limited. Money Centre is a well specified, 1970's office building providing accommodation in an established office location in the centre of Plymouth where there is currently a shortage of air-conditioned office space.</p> <p>The freehold property provides 64,646 sq ft of office accommodation in addition to storage, car parking, two retail units, a banking hall and a public house and nightclub, in total providing 73,182 sq ft of accommodation over lower ground, ground and seven upper floors.</p> <p>The office accommodation provides good specification open plan space with suspended ceilings incorporating recessed strip lighting and ventilation. The offices are serviced by two internal staircases, two 12 passenger lifts and 75 parking spaces.</p>
Region	South West	
Address	Drakes Circus, Plymouth	
Size (sq ft)	74,634	
Market Value (£ MM)	11.9	
Number of Leases	14	
Net Initial Rent (£ MM)	0.8	
ERV (£ MM)	0.8	
WA Remaining Lease (yrs)	4.8	
Net Initial Yield (%)	6.6	
Occupancy (%)	100.0	
Tenure	Freehold	

Rent payable on the property is currently £787,588 (including £14,000 payable under a temporary licence) (3.8 per cent. by current rent in Sub-Pool) following a fixed uplift on the Western Mortgage Services rent in November 2005. The property is valued at £11,850,000.

The major tenant is Western Mortgage Services Plc. Western Mortgages are in the process of commencing refurbishment works on the 7th floor and the longest lease expires in Nov 2014.

80 per cent. of total rent comes from investment grade tenants, including 32 per cent. of total rental income from Zurich Insurance and First Assist Services (formerly Sun Alliance).

## Cresta House

Property Summary		
Property Type	Office/Retail	<p>Located in Luton, which is approximately 32 miles north of central London, the property is situated in the city Centre and approximately 200 yards from the Arndale Centre, considered to be the primary retail facility of Luton.</p> <p>Acquired in December 2000 by Heronway Properties Limited, the subject property is currently fully rented to multiple tenants. The improvements are comprised of a six story building, providing office space on the six upper floors, along with seven retail units on the ground and mezzanine floors. There is also car parking available in the basement and on the ground floor levels.</p> <p>The property was constructed in 1975 and is composed of framed construction with brick elevations incorporating steel framed fixed windows. The roof is of flat construction, surfaced with mineral felt and is set behind brick walls. The sixth floor offices are set back and have a small balcony area. All floors are composed of concrete construction.</p>
Region	East of England	
Address	1-8 Alma Street, Luton	
Size (sq ft)	59,817	
Market Value (£ MM)	6.8	
Number of Leases	24	
Net Initial Rent (£ MM)	0.5	
ERV (£ MM)	0.5	
WA Remaining Lease (yrs)	4.7	
Net Initial Yield (%)	7.1	
Occupancy (%)	100.0	
Tenure	Freehold	

Current total rents for the property are approximately £0.48 MM per year, and it is valued at £6,750,000.

Abbey National (A+/AA+/Aa3) and the Secretary of State for the Environment occupy approximately half of the improvements, with approximately eight years remaining on their respective leases; it is anticipated both tenants will renew

The Secretary of State for the Environment (AAA, AAa, AAA) had their space converted into a legal court and so they are likely to stay, in the view of the valuer, after their break option in September 2009.

## Traquair House

Property Summary		
Property Type	Office	<p>Located in Edinburgh, the capital of Scotland, the property is situated approximately 2.5 miles west of the city centre, to the south of Pinkhill which joins Corstorphine Road. Access to the property is good.</p> <p>The property is currently fully occupied by S T Microelectronics Limited (A-/A3/NR), whose lease expires in 2015. The building was purpose built for the tenant. The building is comprised of three stories and has parking for 48 vehicles.</p> <p>The building was constructed in the late 1980s. The improvements are comprised of steel frame construction with elevations of facing brick and glazing surmounted by an insulated flat roof of profile metal cladding. Overall, the property and the improvements have been well maintained and are in very good condition. Coupled with its location, curb appeal to potential tenants or investors is strong.</p>
Region	Scotland	
Address	33 Pinkhill, Edinburgh	
Size (sq ft)	21,338	
Market Value (£ MM)	5.2	
Number of Leases	1	
Net Initial Rent (£ MM)	0.4	
ERV (£ MM)	0.4	
WA Remaining Lease (yrs)	8.5	
Net Initial Yield (%)	6.8	
Occupancy (%)	100.0	
Tenure	Heritable	

The property is situated in an excellent location and has access to numerous motorways, which provide the property easy access to Edinburgh Airport and other local amenities.

The current passing rent for this property is £353,200 and the lease will expire in March 2015, and it has a market value of £ 5,200,000.

## Prospect House

Property Summary		
Property Type	Office	<p>Located in a predominantly residential area approximately 0.5 miles south east of Shrewsbury town centre. Bell Vue Road provides direct access to the inner ring road and the A5191 Hereford Road, with access to the main A5 dual carriageway heading south.</p> <p>This attractive landmark property includes a main office building along with a lodge and a house both of which are either sold or to be sold. The freehold property was acquired by the Fordgate Group in 1989.</p> <p>The main office building was substantially refurbished in 1990 to provide 12 individual office suites, one of which operates a 24 hour emergency centre with ground floor access. The remaining suites, with suspended ceilings, carpeted floors and fluorescent lighting, are accessed from 2 entrance cores with metal staircase and passenger lifts.</p> <p>The property includes 100 car parking spaces.</p>
Region	Midlands	
Address	Bell Vue Road, Shrewsbury	
Size (sq ft)	32,045	
Market Value (£ MM)	4.3	
Number of Leases	12	
Net Initial Rent (£ MM)	0.3	
ERV (£ MM)	0.3	
WA Remaining Lease (yrs)	7.6	
Net Initial Yield (%)	6.7	
Occupancy (%)	89.6	
Tenure	Freehold	

Current passing rent is £284,871 p.a. The property has a market value of £4,250,000.

Major tenants are the Secretaries of State for the Environment and Transport and the Regions (35 per cent. of property current passing rent) until December 2016/18. Other major tenants are Zurich Assurance, Natwest, and the Bank of Wales.

## Telegraph House

Property Summary		
Property Type	Office	<p>Located in Rochdale, a town 12 miles to the north of the Manchester city Centre and 205 miles northwest of London. Manchester Airport is easily accessible (17 miles south) and the Rochdale railway station is one mile away. Access to multiple highways is good.</p> <p>Acquired in July 2002 by Tyncastle Limited, the property is fully let to 5 tenants, many with longer term leases in place. It comprises a detached office building that also includes parking which is located at the ground level. The building is easily accessible via an entrance/ reception area at the western end of the building.</p> <p>The building was constructed in the mid to late 1970s and mainly provides office accommodation. The building is constructed of reinforced concrete frame, with the majority of the eastern and western elevations composed of brick, which the northern and southern elevations feature single glazed aluminium framed glass panelled curtain walling. The building is in good condition and has strong curb appeal.</p>
Region	North West	
Address	Baillie Street, Rochdale	
Size (sq ft)	42,619	
Market Value (£ MM)	4.0	
Number of Leases	8	
Net Initial Rent (£ MM)	0.3	
ERV (£ MM)	0.3	
WA Remaining Lease (yrs)	3.0	
Net Initial Yield (%)	7.5	
Occupancy (%)	100.0	
Tenure	Freehold	

Current total rents for the property are £300,183 per year, and the property is valued at £4,000,000.

Rochdale Metropolitan Borough Council (AAA/Aaa/AAA) occupies almost half of the property. The tenant is expected to renew its lease at the property following a recent refurbishment. The passing rent is £126,555 p.a. which represents 42 per cent. of total property passing rent. Lease expires in December 2010.

Rochdale Primary Care Trust have also recently made air-conditioning improvements to the 3rd and 5th floors. Other tenants in the building include Zen Internet.

## Retail & Other Portfolio

Geographical Distribution (% by total MV)	
<p>This Sub-Pool is predominantly retail with other uses including leisure, Dixon motor retail showrooms and warehouse distribution throughout the UK.</p> <p>The largest asset is Trident Retail Park, located in Runcorn off an expressway system that connects up to the main motorway network covering the North West of England. Runcorn benefits from regular rail service from London Euston Station and Liverpool Lime Street.</p> <p>The property is adjacent to Halton Lea Shopping Centre, also owned by Fordgate (loan securitised in 2005 EPRE No. 1) which is the dominant shopping centre in the Runcorn area. Present occupiers are of high quality including Cine UK, TK Maxx, Currys and Fitness First.</p> <p>The second largest asset is Melton Enterprise Park in Hull and is fully let to TNT Logistics, a major European and worldwide logistics operator.</p> <p>The Dixon Portfolio of motor showrooms (let primarily to Dixon Motor (Holdings) Limited) was acquired in 2001. It comprises six different motor showroom sites.</p>	<p><b>Source:</b> Fordgate Group</p>

Retail & Other Portfolio													
Property	Town	Region	Main Use	# of Leases	Valuation	% of Total	Area (sq ft)	Passing Rent (£ MM)	Net Initial Yield (%)	WA Remaining Leases <sup>(1)</sup> (Yrs)	ERV (£ MM)	Occupancy (%)	Tenure
Trident	Runcorn	North West	Leisure/Retail	12	49.5	40.5	198,699	2.1	4.2	13.7	2.7	88.6	Freehold
Melton Enterprise Park	Hull	Yorkshire and The Humber	Distribution	2	16.6	13.6	400,995	1.4	8.5	0.8	1.2	100.0	Freehold
Teesside	Stockton	North East	Leisure	4	15.0	12.3	93,310	0.9	6.3	14.7	0.8	67.1	Leasehold (999 years)
Aspects	Bedford	East of England	Leisure	9	13.2	10.8	101,515	1.0	7.7	16.4	1.1	97.8	Leasehold
Dixon Priory Park	Hull	Yorkshire and The Humber	Motor Showroom	5	12.5	10.2	96,635	0.7	5.6	23.5	0.8	100.0	Leasehold (999 years)
Dixon Kings Road	Bradford	Yorkshire and The Humber	Motor Showroom	3	6.5	5.3	46,390	0.4	5.6	22.4	0.4	100.0	Leasehold (999 years)
Dixon Centurion Park	York	Yorkshire and The Humber	Motor Showroom	2	3.3	2.7	26,424	0.2	5.0	23.4	0.3	100.0	Freehold
Dixon Roebuck Way	Milton Keynes	South East	Motor Showroom	1	2.3	1.8	17,277	0.1	5.8	22.4	0.1	100.0	Leasehold (999 years)
Dixon Hempshaw Lane	Stockport	North West	Motor Showroom	1	1.8	1.5	14,125	0.1	5.8	22.4	0.1	100.0	Leasehold (999 years)
Dixon Oaktree Lane	Mansfield	Midlands	Motor Showroom	1	1.6	1.3	10,172	0.1	5.2	23.5	0.1	100.0	Leasehold (999 years)
<b>Total</b>				<b>40</b>	<b>122.1</b>	<b>100.0</b>	<b>1,005,542</b>	<b>7.0</b>	<b>5.7</b>	<b>13.7</b>	<b>7.6</b>	<b>94.5</b>	

**Source:** Fordgate Group

**Notes**

- 1) Earlier of break or expiry
- 2) Percentage may not add to 100 per cent. due to rounding



Retail/Other Portfolio										
Rank	Tenant Name	Ratings (S/M/F)	# of		Passing Rent		% of			
			Leases	Main Asset	(£ MM)	% of Total	Area	Total	Break Date	Expiry Date
1	TNT Logistics (UK) Ltd	A/A2/NR	2	Melton Enterprise Park	1.4	20.1	400,995	39.9	01-Jul-2007	31-Mar-2016
2	Dixon Motor Holdings Ltd	NR	11	Dixon (Various)	1.3	18.7	179,621	17.9	-	Varies, earliest 03-Feb-2029 to 24-Dec-2030
3	Gala Leisure (2000) Ltd. Surety First Leisure Corp Plc. T/A Riva Bingo	NR	1	Teesside	0.7	9.5	37,753	3.8	-	23-Jun-2021
4	Cine-UK	NR	1	Trident	0.6	9.3	47,063	4.7	02-Sep-2024	01-Sep-2034
5	Fordgate Limited	NR	2	Aspects	0.3	4.7	12,155	1.2	-	12-Sep-2015
6	Job Centre Plus	NR	1	Trident	0.3	4.4	23,019	2.3	-	31-Oct-2018
7	Club Bingo	NR	1	Aspects	0.3	3.8	34,294	3.4	-	18-Dec-2031
8	Fitness First	NR	2	Trident	0.3	3.6	30,945	3.1	-	28-Sep-2024 and 01-Jan-2026
9	Cineworld Cinema Properties Limited	NR	1	Aspects	0.2	3.4	25,626	2.5	-	01-Jul-2015
10	Riossi Limited	NR	2	Dixon (Various)	0.2	3.4	31,402	3.1	-	02-Feb-2029
Other Tenants			16		1.4	19.0	182,669	18.2		
<b>Total</b>			<b>40</b>		<b>7.0</b>	<b>100.0</b>	<b>1,005,542</b>	<b>100.0</b>		

Source Fordgate

## Trident Retail Park

Property Summary		
Property Type	Leisure/Retail	<p>Trident Park is accessed off an expressway system that connects up to the main motorway network covering the North West of England. The town benefits from regular rail service from London Euston Station and Liverpool Lime Street.</p> <p>The property is adjacent to Halton Lea Shopping Centre, also owned by Fordgate (loan securitized in 2005 EPRE No. 1), and is the dominant shopping centre in the Runcorn area. The centre, together with the subject retail and leisure park and Asda superstore adjacent provides for an important retail destination.</p> <p>Runcorn has a residential population of 65,000 with a total catchment area of approximately 180,000 within a 15 minute drive time. It is situated approximately 12 miles south east of Liverpool, 8 miles north east of Warrington and 15 miles south west of Chester.</p> <p>The property was developed in the late 1990s after the acquisition of the greenfield site from the former Commission for New Towns in 1995. Pre-lets to Cine-UK and Aldi were followed by lettings to Currys, Fitness First, Blockbuster and JJB Sports in 1999. The retail park comprises a Link Building which connects directly to Halton Lea Shopping Centre. The public areas within the Link Building have been upgraded to a high standard with escalators and lifts connecting all three levels.</p> <p>The property comprises 11 retail warehouse units and a cinema. Approximately 26,000 sq. ft. is currently vacant which may create interest to a number of operators in the market place.</p>
Region	North West	
Address	Halton Lea, Runcorn, Cheshire	
Size (sq ft)	198,699	
Market Value (£ MM)	49.5	
Number of Leases	12	
Net Initial Rent (£ MM)	2.1	
ERV (£ MM)	2.7	
WA Remaining Lease (yrs)	13.7	
Net Initial Yield (%)	4.2	
Occupancy (%)	88.6	
Tenure	Freehold	

This is the largest asset in the Retail & Other Pool. It is leased to 12 tenants and has a total passing rent of approximately £2,100,000 (this figure and the figures relating to Trident Retail Park used throughout this section headed "The Properties" include £212,500 attributable to a proposed new lease in respect of the Bingo unit) p.a. (29.7 per cent. of current passing rent of Sub-Pool) and has a market value of £49,500,000.

All tenants are on relatively fresh leases with an average term of 13.7 years remaining.

## Melton Enterprise Park

Property Summary		
Property Type	Distribution	Kingston upon Hull is located on the east coast of England, approximately 60 miles east of Leeds, 32 miles NW from Grimsby and is one of the UK's major seaports, serving in particular Scandinavia and Western Europe.
Region	Yorkshire and the Humber	
Address	2, Melton Enterprise Park, Kingston-upon-Hull	The properties are located about 6 miles west of Hull city centre and forms part of a larger site, in the process of being developed which include other uses such as offices, hotels and restaurants. The properties have been recently completed and the units are directly adjacent to each other and are let to TNT Logistics UK Ltd, part of the major European and worldwide logistics operator, TNT.
Size (sq ft)	400,995	
Market Value (£ MM)	16.6	The properties comprise two purpose built distribution units constructed in steel frame, with external cladding of steel profile sheeted panels. The properties also benefit from concrete floor with granolithic finish.
Number of Leases	2	
Net Initial Rent (£ MM)	1.4	TNT occupies the property in order to provide exclusive distribution support to a new flagship UK store from a leading Scandinavian furniture retailer, ILVA, shortly opening in Gateshead.
ERV (£ MM)	1.2	
WA Remaining Lease (yrs)	0.8	The properties are leased to 1 tenant, the total passing rent for these properties is £1,400,000 p.a. (reducing to £1,200,000 p.a.), and the market value is £16,550,000.
Net Initial Yield (%)	8.5	
Occupancy (%)	100.0	
Tenure	Freehold	

## Teesside Leisure Park

Property Summary		
Property Type	Leisure	Stockton is part of the Tees Valley area and is located approximately 3 miles to the west of Middlesbrough, 26 miles of Sunderland and 40 miles of Newcastle.
Region	North East	
Address	Stockton-on-Tees	The Leisure Park is adjacent to, and shares access with the 350,000 sq ft Stockton Retail Park, which is one of the most successful retail parks in the country.
Size (sq ft)	93,310	
Market Value (£ MM)	15.0	Tenants at the retail park include Boots, Toys R Us, Homebase, PC World, JJB Sports, Comet and Carphone Warehouse. Fordgate acquired the property in 2002.
Number of Leases	4	
Net Initial Rent (£ MM)	0.9	The property, which forms Phase 2 of the Teesside Leisure Park, is a purpose built detached leisure facility arranged over two stories, developed in 1996. It has approximately 93,310 sq ft of leisure accommodation, incorporating a bingo hall, casino, nightclub, bar and restaurant unit.
ERV (£ MM)	0.8	
WA Remaining Lease (yrs)	14.7	Total passing rent of the four tenants is £946,563 p.a., and the market value is £15,000,000.
Net Initial Yield (%)	6.3	
Occupancy (%)	67.1	
Tenure	Leasehold (999 years)	

## Aspects Leisure Park

<b>Property Summary</b>			Aspects Leisure Park is located approximately 10 miles from both the M1 and A1, thus providing excellent road access to the national motorway network. There are excellent rail links to London, with services to St Pancras and Kings Cross within 1 hour journey time.
Property Type	Leisure		Constructed in 1990, Aspects Leisure Park provides a fully integrated scheme of complimentary uses, comprising a 6 screen multiplex cinema, nightclub, 3 restaurant units (1 drive-thru), a theme bar and an entertainment centre. The site also benefits from 620 car park spaces.
Region	East of England		
Address	Newnham Avenue, MK41 9LW		The Leisure Park is anchored by 6 screen Cineworld cinemas (20.8 per cent.), which are part of Cineworld Cinemas Limited a leading UK cinema group (owned by the Blackstone Group). Heads of Terms have been agreed with Cineworld for a four-screen extension which would also create a new 11,000 sq ft ground floor unit. Other large tenants including Fitness First (14.3 per cent.) and Pizza Hut (5.6 per cent.).
Size (sq ft)	101,515		
Market Value (£ MM)	13.2		The total passing rent for this park is £1,010,229 p.a. (including £267,944 attributable to a proposed new lease of the Bingo unit), and the market value is £13,200,000.
Number of Leases	9		
Net Initial Rent (£ MM)	1.0		
ERV (£ MM)	1.1		
WA Remaining Lease (yrs)	16.4		
Net Initial Yield (%)	7.7		
Occupancy (%)	97.8		
Tenure	Leasehold		

## Dixons, Hull

Property Summary		
Property Type	Motor Showroom	Priory Park is a large Business and Retail Park located off the busy A64, close to the Humber Bridge and 4.5 miles from Hull city centre.
Region	Yorkshire and the Humber	The Dixon units form a quadrangle with a large shared central car park, the quadrangle is fully enclosed by fencing except for a single road into the units serving as entrance and exit.
Address	Hessle Road, Priory Park, Hull	
Size (sq ft)	96,635	The Dixon units form a quadrangle with a large shared central car park, the quadrangle is fully enclosed by fencing except for a single road into the units serving as entrance and exit. The total passing rent for this property is £691,717 p.a., and it is valued at £12,450,000.
Market Value (£ MM)	12.5	
Number of Leases	5	This is a substantial site which accommodates purpose built Renault, Vauxhall, Citroen and Nissan dealerships which are supported by an additional car valet building. The dealerships have been completed to a high standard.
Net Initial Rent (£ MM)	0.7	
ERV (£ MM)	0.8	
WA Remaining Lease (yrs)	23.5	Dixon Renault: A large modern 2 story glass fronted car showroom with a servicing and spares department located at the side of the unit. Offices are situated above the main showroom area. The unit forms part of a square of Dixon units with a central car park.
Net Initial Yield (%)	5.6	
Occupancy (%)	100.0	
Tenure	Leasehold (999 years)	<p>Dixon Vauxhall: A large modern 2 story car showroom with a floor to roof glass main entrance and showroom; offices are located above the main showroom area. A servicing and spares department is attached to the side of the building. It shares a central car park with the other Dixon units.</p> <p>Dixon Citroen: A large car showroom with glass covering 3 sides of the unit, offices are located to the rear of the unit with others on the first floor. There is a small servicing department to the side of the building and a central car park.</p> <p>Dixon Nissan: A large modern car showroom with a full length glass frontage; offices are located on the 1st floor overlooking the main car showroom. There is a small servicing department to the rear of the unit and a central car park.</p> <p>Dixon Wash Shop: Situated off the main square, it is a single story clad building with a small office and reception. It is as the name suggests a wash and valet service with vehicles entering at one end of the unit and exiting the other.</p> <p>Development Site: Small grassed area at one end of the square that at the moment is used as a vehicle park but could in the future be developed.</p>

## Dixons, Stockport

Property Summary		
Property Type	Motor Showroom	<p>This unit is situated on a busy main road near to other motor dealerships and businesses, there are various other units of different sizes and in buildings both old and new, but this is a pocket of industry within a residential area.</p> <p>The unit is located 1 mile from Stockport City centre and 7 miles from Manchester and close to the M60 motorway.</p> <p>A large modern 2 story building trading as a motorcycle dealership with its main entrance on St Mary's Way which leads on to the first floor and another entrance on Hempshaw Lane which leads to the main cycle showroom situated on the ground floor.</p> <p>The ground floor entrance has the main car park adjacent and also gives access to the 2 service/loading bays at the rear of the unit.</p> <p>The total passing rent for this unit is £104,993 p.a. The property is valued at £1,800,000.</p>
Region	North West	
Address	St Mary's Way, Hernshaw Lane, Stockport	
Size (sq ft)	14,125	
Market Value (£ MM)	1.8	
Number of Leases	1	
Net Initial Rent (£ MM)	0.1	
ERV (£ MM)	0.1	
WA Remaining Lease (yrs)	22.4	
Net Initial Yield (%)	5.8	
Occupancy (%)	100.0	
Tenure	Leasehold (999 years)	

## Dixons, Bradford

Property Summary		
Property Type	Motor Showroom	<p>The 3 units are located on the side of a large valley with the Bradford City Football ground on the opposite side. The top of the valley is a residential area and is within easy walking distance of the units. Across the road from the Citroen unit is a large gas storage facility. There are many new, well-maintained units in the area, mainly car dealerships.</p> <p>The 3 units are located on a busy main road 0.5 miles from Bradford city centre.</p> <p>This unit is the smallest and central in a row of 3 car showrooms. It is a modern glass fronted unit with floor to roof glass panels on the side walls there is a small servicing department to the rear. It shares a large car park with the other 2 showrooms.</p> <p>This is a large modern car showroom with glass to the front and to the sides and offices above the main showroom; there is a large servicing and spare sales department to the side and rear of the unit. The main car park is shared with the other units. This is the largest of the 3 Dixon units.</p> <p>The total passing rent for this unit is £362,957 p.a., and the property has a market value of £6,500,000.</p>
Region	Yorkshire and the Humber	
Address	Kingsmill Road, West Yorkshire	
Size (sq ft)	46,390	
Market Value (£ MM)	6.5	
Number of Leases	3	
Net Initial Rent (£ MM)	0.4	
ERV (£ MM)	0.4	
WA Remaining Lease (yrs)	22.4	
Net Initial Yield (%)	5.6	
Occupancy (%)	100.0	
Tenure	Leasehold (999 years)	

## **VALUATION REPORT**

The following is a summary form of the Valuation obtained from the Valuer in connection in September 2006. Further information about the valuation, or summaries of the valuation, are also contained, in electronic form, on a CD-ROM which is available on request from the Issuer, see further the section headed "CD-ROM" below.

Your  
Ref  
Our Ref WV0010169.doc  
Date 28 September 2006

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Dear Sirs

## **JUPITER PORTFOLIO – SUMMARY OF VALUATION REPORTS**

This document has been prepared as a summary of the Colliers CRE Limited Valuation Report dated 28 September 2006 for insertion into the Fordgate Debt Securitisation Offering Circular. This report is provided as a summary document and should be read in conjunction with the full report.

### **INSTRUCTIONS**

We have been instructed to value the properties, as at 28 September 2006, on the following bases:

Market Value  
Market Value on the Special Assumption of Vacant Possession  
Market Rent

The definitions of Market Value and Market Rent contained within the Appraisal and Valuation Standards issued by the Royal Institution of Chartered Surveyors ('The Red Book') are as follows:

#### **Market Value**

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

#### **Market Rent**

*'The estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.'*

## STATUS OF VALUER AND COMPLIANCE

### Compliance with Appraisal and Valuation Standards

The properties have been valued by suitably qualified surveyors who fall within the requirements as to competence set out in PS 1.1 and 1.2 of the Appraisal and Valuation Standards.

### Status of Valuer

The valuations have been undertaken in our capacity as External Valuer.

### Inspections

The properties were inspected during May 2006.

### Conflicts of Interest

Colliers CRE has previously provided valuation advice to banks providing debt finance in respect of some of these and other properties owned by Fordgate Limited ('the Borrower'). Colliers CRE has also provided valuation services to Morgan Stanley and Co. International Limited ('the Bank') in respect of other properties.

With the exception of the foregoing, we have had no previous recent involvement with the properties or parties involved with the transaction, and therefore we do not consider that any conflict arises in preparing the advice requested.

## THE PROPERTIES

The properties comprise a portfolio of office, retail, leisure and motor showroom properties, which are owned by the Borrower. The properties are located throughout the UK and are all held as investments. Brief details of the individual properties are set out below:

Address	Tenure	Description	Floor Area (sq ft)
<b>Aberdeen</b> Marathon House Hill of Rubislaw*	Long leasehold (with option to buy feuhold for £1 in 2012)	Marathon House (occupied by Marathon) is a part three, part four and part five storey office building, constructed in the early 1980s and is of concrete framed construction. The property forms part of a complex of three office buildings, each with their own landscaped grounds and car parking.	95,270



<b>Aberdeen</b> Rubislaw House Hill of Rubislaw*	Long leasehold (with option to buy feuhold for £1 in 2012)	Rubislaw House (occupied by Conoco Phillips) is a four storey. office building, constructed in the early 1980s and is of concrete framed construction. The property forms part of a complex of three office buildings, each with their own landscaped grounds and car parking.	91,615
<b>Aberdeen</b> Seafield House Hill of Rubislaw*	Long leasehold (with option to buy feuhold for £1 in 2012)	Seafield House (occupied by Shell and Chevron) is a part five storey, part three storey and part single storey office building built around a garden courtyard. It dates from the early 1980s and is of concrete framed construction. The property forms part of a complex of three office buildings, each with their own landscaped grounds and car parking.	195,950
<b>Bedford</b> Aspects Leisure Park Newnham Avenue	Leasehold (150 years from 1989)	A first generation leisure park, constructed in 1990, comprising five buildings together with surface car parking. The property includes a cinema, health and fitness club, restaurants and proposed bingo hall.	101,515
<b>Edinburgh</b> Argyle House, Lady Lawson Street	Feuhold	A detached office building which was constructed in 1969. The building is arranged in three sections, two of which are 11 storeys in height and the third (north block) is five storeys in height. The building is of concrete framed construction. The building is located in Edinburgh city centre opposite the Castle.	225,280
<b>Edinburgh</b> Traquir House 33 Pinkhill	Feuhold	A detached three storey office building which dates from the late 1980s. The building is of steel framed construction with a combination of facing brick and glazed elevations. The property is located about two and a half miles to the west of Edinburgh city centre.	21,338
<b>Kingston-Upon-Hull</b> Units 1 & 2 Melton Enterprise Park, Gibson Lane	Freehold	Two modern distribution units of steel portal framed construction together with a substantial and secure tarmacadam yard. The property is located approximately seven miles to the west of Hull city centre and close to the A63.	401,043
<b>London SE1</b> Friars Bridge Court, Blackfriars Road	Freehold	A detached 10 storey office building, of framed construction, which was built in 1991. The building is fully air-conditioned. The property lies on the western side of Blackfriars Road, with Southwark London Underground Station located about 50 yards to the south.	96,137

<b>Luton</b> Cresta House 1-8 Alma Street	Freehold	A terraced building, which is predominately within office use (first to sixth floors), although there are seven retail units on the ground and mezzanine floors. There is car parking on the basement and ground floor levels. We estimate that the building was constructed around 30 years ago. The property lies in a mixed commercial area about 200 yards to the north-west of the retail centre.	59,797
<b>Newcastle-Upon-Tyne</b> Regent Centre Gosforth	Freehold	Six self contained office buildings which were constructed over a period of 12 years commencing in 1968. All buildings are of concrete framed construction and there are about 1,000 car parking spaces on site. Gosforth is a relatively affluent suburb of Newcastle, lying approximately two miles to the north of the city centre.	309,984
<b>Plymouth</b> The Money Centre, Drakes Circus	Freehold	A ten storey multi-let office building, dating from about 30 years ago, which has three retail units and a pub/restaurant on the lower and upper ground floors. There is car parking provided on basement, lower ground and upper ground floor levels. The property is located on the fringe of the main shopping area within the city centre.	74,658
<b>Rochdale</b> Telegraph House Baillie Street	Freehold	A detached office building constructed in the mid to late 1970s which provides undercroft car parking at ground floor level and seven upper floors of office accommodation. The property is located within Rochdale town centre with the Wheatsheaf Shopping Centre situated to the rear.	42,619
<b>Runcorn</b> Trident Retail Park	Freehold	An 'out of town' retail and leisure park which was constructed around eight years ago. It consists of eight retail units, three leisure units, three restaurants/retail units and a link building which connects the property with the adjacent Halton Lea Shopping Centre.	195,530
<b>Shrewsbury</b> Prospect House 45 Belle View Road	Freehold	An office complex comprising a former Maltings building, a detached lodge house and a former caretaker's house.	32,409

Address	Tenure	Description	Floor Area (sq ft)
<b>Sheffield</b> Pennine Centre Tenter Street	Freehold	An office complex of two detached office buildings linked by an enclosed external walkway at first floor level, together with a multi-storey car park. The buildings, which are of concrete framed construction, date from 1976, although were comprehensively refurbished in the late 1990s. The property is situated in the cathedral quarter of the city.	254,624
<b>Stockton-on-Tees</b> Phase II Teesside Leisure Park	Freehold	Part of Teesside Leisure Park and was developed in 1995/1996. The property comprises a two storey purpose built leisure facility arranged in a crescent shape and consisting of a casino, night club, bingo hall, bar and restaurant. At present, the night club and restaurant are vacant and the bar is unoccupied.	96,178

Address	Tenure	Description	Total Floor Area (sq ft)
<b>DIXONS PORTFOLIO</b>			
<b>Bradford</b> Kings Road/Canal Road	Leasehold (999 years at a peppercorn)	Three purpose built motor dealerships trading as Audi, Citroen and VW. Each comprises a showroom and workshop, together with areas utilised for car parking and external vehicle display.	46,390
<b>Hull</b> Hessle Road Priory Park	Leasehold (999 years at a peppercorn)	Four motor dealerships occupied by Renault, Vauxhall, Citroen and Nissan, together with an additional car valet building. All buildings are of steel portal framed construction.	74,953
<b>Mansfield</b> Oaktree Lane	Leasehold (999 years at a peppercorn)	A motor dealership, developed in 2000, and occupied by Dixon Peugeot. The property fronts the A617, a short distance to the south-east of Mansfield town centre.	10,172

<b>Milton Keynes</b> Roebuck Way Knollhill	Leasehold (999 years at a peppercorn)	A former motorcycle showroom, which is now utilised as a childrens' play area. The property is of steel portal framed construction. It is located about three miles to the south-east of Milton Keynes town centre.	17,277
<b>Stockport</b> St Mary's Way Hempshaw Lane	Leasehold (999 years at a peppercorn)	A detached steel portal framed showroom building which is currently occupied by a motorcycle dealership. The building is slightly unconventional in that it has pedestrian access from St Mary's Way and vehicular access from Hempshaw Lane. The property is situated approximately half of a mile to the south-east of Stockport town centre.	14,125
<b>York</b> Centurion Park Clifton Moorgate	Leasehold (999 years at a peppercorn)	A motor showroom and workshop facility which was constructed in the late 1990s, together with an extensive vehicle display area. The building houses both Renault and Nissan dealerships.	26,424

Note. The floor areas set out above are net internal areas in the case of offices and 'town centre' retail properties and gross internal areas in respect of the other properties.

## SOURCES OF INFORMATION

### Floor Areas

We have measured the properties and calculated the floor areas in accordance with the current edition of the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors.

### Tenure and Lettings

We have been provided with draft Certificates of Title for each of the properties, which have been prepared by Fladgate Fielder and Teacher Stern Selby in the case of the English properties and Leslie Wolfson & Co in respect of the Scottish properties. We have also been provided with an 'overview report' by Sidley Austin in the case of the English properties and Tods Murray LLP in respect of the Scottish properties.

### Repair

We have not carried out building surveys of the properties and neither have we tested the drainage or service installations in the buildings as this was outside the scope of our instructions. We have had regard to building survey reports that have been provided by the Borrower.

With the exception of matters raised in the building reports, we have assumed that the buildings are free from deleterious materials.

## Environmental Matters

We have not carried out environmental reports and have relied upon reports by various environmental consultants, which have been commissioned by the Borrower. We have had regard to these reports, but have otherwise assumed that the properties are not subject to any unusual ground conditions, contamination, pollutants or any other substances that may be environmentally harmful.

## Town Planning

We have not made any formal searches or enquiries in respect of the properties and are, therefore, unable to accept any responsibility in this connection. We have, however, made verbal enquiries of the local planning authorities as to whether or not the properties are affected by planning proposals. We have not received written replies and, accordingly, have had to rely upon information obtained verbally.

We have had regard to the matters raised in the Certificates of Title with regard to planning matters.

## VALUATIONS

### Market Value

We are of the opinion that the aggregate Market Value, as at today's date, of the 22 freehold and long leasehold properties, subject to the existing lettings, is £482,900,000 (four hundred and eighty-two million, nine hundred thousand pounds). The individual valuations are set out in the schedule below.

### Vacant Possession Valuation

We are of the opinion that the aggregate Market Value, as at today's date, of the 22 freehold and long leasehold properties, on the Special Assumption of vacant possession throughout is £384,100,000 (three hundred and eighty-four million, one hundred thousand pounds). The individual valuations are set out in the schedule below.

### Market Rent

We are of the opinion that the aggregate Market Rent, as at today's date, of the 22 freehold and long leasehold properties is £30,861,248 (thirty million, eight hundred and sixty-one thousand, two hundred and forty-eight pounds) per annum.

### Individual Property Valuations

The individual property valuations are as follows:

Address	Aggregate Gross Rent (£ pa)	Market Rent (£ pa)	Market Value (£)	Vacant Possession Value (£)
Aberdeen* Marathon, Rubislaw and Seafield Houses, Hill of Rubislaw	7,036,955	7,582,300	111,750,000	90,000,000

<b>Bedford</b> Aspects Leisure Park Newnham Avenue	576,807	1,104,794	13,200,000	11,200,000
<b>Edinburgh</b> Argyle House, Lady Lawson Street	2,375,000	3,507,000	60,000,000	50,850,000
<b>Edinburgh</b> Traquir House 33 Pinkhill	353,200	353,200	5,200,000	4,100,000
<b>Kingston-Upon- Hull</b> Units 1 & 2 Melton Enterprise Park, Gibson Lane	1,400,000	1,203,000	16,550,000	14,700,000
<b>London SE1</b> Friars Bridge Court, Blackfriars Road	3,500,000	2,800,000	58,000,000	42,500,000
<b>Luton</b> Cresta House 1-8 Alma Street	480,715	478,430	6,750,000	4,800,000
<b>Newcastle-Upon- Tyne</b> Regent Centre Gosforth	3,209,367	4,167,561	56,000,000	46,900,000
<b>Plymouth</b> The Money Centre, Drakes Circus	773,588	836,400	11,850,000	9,450,000
<b>Rochdale</b> Telegraph House Baillie Street	300,183	306,040	4,000,000	3,200,000
<b>Runcorn</b> Trident Retail Park	1,855,290	2,750,318	49,500,000	37,000,000

<b>Shrewsbury</b> Prospect House 45 Belle View Road	284,879	324,020	4,250,000	3,650,000
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<b>Address</b>	<b>Aggregate Gross Rent (£ pa)</b>	<b>Market Rent (£ pa)</b>	<b>Market Value (£)</b>	<b>Vacant Possession Value (£)</b>
<b>Sheffield</b> Pennine Centre Tenter Street	2,724,500	2,875,000	43,000,000	34,200,000
<b>Stockton-on-Tees</b> Phase II Teesside Leisure Park	946,563	803,185	15,000,000	10,000,000
<b>Sub-Total</b>	<b>25,817,047</b>	<b>29,091,248</b>	<b>455,050,000</b>	<b>362,550,000</b>

\* These three properties lie adjacent to each other and have been valued together.

<b>Address</b>	<b>Aggregate Gross Rent (£ pa)</b>	<b>Market Rent (£)</b>	<b>Market Value (£)</b>	<b>Vacant Possession Value (£)</b>
<b>DIXON'S PORTFOLIO</b>				
<b>Bradford</b> Kings Road/Canal Road	362,957	415,000	6,500,000	5,250,000
<b>York</b> Centurion Park Clifton Moorgate	164,033	250,000	3,250,000	2,900,000
<b>Mansfield</b> Oaktree Lane	83,753	100,000	1,600,000	1,500,000
<b>Hull</b> Hessle Road Priory Park	691,717	780,000	12,450,000	8,950,000
<b>Milton Keynes</b> Roebuck Way Knollhill	131,116	120,000	2,250,000	1,650,000
<b>Stockport</b> St Mary's Way Hempshaw Lane	104,993	105,000	1,800,000	1,300,000

<b>Sub-Total</b>	<b>1,538,569</b>	<b>1,770,000</b>	<b>27,850,000</b>	<b>21,550,000</b>
<b>OVERALL TOTAL</b>	<b>27,355,616</b>	<b>30,861,248</b>	<b>482,900,000</b>	<b>384,100,000</b>

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

### **SUITABILITY AS SECURITY**

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

### **MISCELLANEOUS**

#### **Assumptions and Qualifications**

Our detailed report dated 28 September 2006 contains more detail with regard to the assumptions and qualifications adopted in our valuations. Accordingly, this report should not be relied upon without reading the detailed report and is subject to the assumptions and qualifications set out therein.

#### **Independence**

The total fees, including the fee for this assignment, earned by Colliers CRE Limited from the addressee (or other companies forming part of the same group of companies) is less than 5% of total UK revenues.

#### **Liability**

This report is issued for your own use, and that of your professional advisers, for the specific purpose to which it refers. We do not accept responsibility to any third party for the whole or any part of its contents.

#### **Publication**

Neither the whole nor any part of this valuation, or any reference thereto, may be included in any published document, circular or statement or disclosed in any way without our previous written consent to the form and context in which it may appear.

Yours faithfully

A N Sargent BSc (Hons) FRICS  
**Director**  
**For Colliers CRE**



## PROVISIONS RELATING TO NOTES WHILST IN GLOBAL FORM

Each Class of Notes will initially be in the form of a Temporary Global Note (without Coupons or Talons) which will be deposited on behalf of the subscribers of the Notes on or around the Closing Date with a common depository for Euroclear and Clearstream, Luxembourg. Upon deposit of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg will credit the account of each Noteholder with the principal amount of Notes for which it has subscribed and paid. Each Temporary Global Note will be exchangeable in whole or in part for interests in a Permanent Global Note (without Coupons or Talons) of the same Class on a date not earlier than 40 days after the Closing Date (the "**Exchange Date**") upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Notes unless exchange for interests in the relevant Permanent Global Note is improperly withheld or refused. In addition, interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership.

Each Permanent Global Note will become exchangeable in whole, but not in part, for Notes in definitive form ("**Definitive Notes**") in the denomination of £50,000 and in integral multiples of £1000 in excess thereof each at the request of the bearer of the relevant Permanent Global Note against presentation and surrender of such Permanent Global Note to the Principal Paying Agent if either of the following events (each, an "**Exchange Event**") occurs: (a) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce an intention permanently to cease business or in fact do so and no alternative clearing system satisfactory to the Note Trustee is available or (b) as a result of any amendment to, or change of, the laws or regulations of the United Kingdom or any other jurisdiction or of any political sub-division thereof or of any authority therein or thereof having power to tax, or in the interpretation or administration by a revenue authority of such laws or regulations, which change becomes effective on or after the Closing Date, the Issuer or any Paying Agent is, or will be, required to make any withholding or deduction from any payment in respect of the Notes or the Issuer suffers or will suffer any other disadvantage as a result of such change, which withholding or deduction would not be required or other disadvantage would not be suffered (as the case may be) if the Notes were in definitive form and a certificate to such effect signed by two Directors of the Issuer is given to the Note Trustee.

Whenever a Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons and Talons attached, in an aggregate principal amount equal to the Principal Amount Outstanding of the relevant Permanent Global Note to the bearer of such Permanent Global Note against the surrender of such Permanent Global Note at the Specified Office of the Principal Paying Agent within 30 days of the occurrence of the relevant Exchange Event.

For so long as the Notes of a Class are represented by one or both Global Notes in respect of that Class, the Issuer, the Note Trustee and all other parties may (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (an "**Accountholder**") as the holder of such principal amount of such Notes, in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes or interest in such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of

manifest error (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders), other than for the purposes of payment of principal and interest on such Global Notes, the right to which shall be vested, as against the Issuer, the Paying Agents and the Note Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to the terms of the Trust Deed. The expressions Noteholders and holder of Notes and related expressions shall be construed accordingly.

In addition, the Temporary Global Note and the Permanent Global Note will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Temporary Global Note and the Permanent Global Note. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of each Temporary Global Note and each Permanent Global Note will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the relevant Temporary Global Note or (as the case may be) the relevant Permanent Global Note at the Specified Office of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes.

*Notices:* Notwithstanding Condition 17, while all the Notes are represented by Permanent Global Notes (or by Permanent Global Notes and/or Temporary Global Notes) and the Permanent Global Notes (or each Permanent Global Note and/or each Temporary Global Note) are deposited with a common depositary for Euroclear and Clearstream, Luxembourg, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and Clearstream, Luxembourg rather than by publication in accordance with Condition 17, provided that for so long as the Notes are listed on the Stock Exchange the rules of the Stock Exchange so permit. Such notices shall be deemed to have been given to the Noteholders in accordance with Condition 17 on the date of delivery to Euroclear and Clearstream, Luxembourg.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions (the "Conditions" and any reference to a "Condition" shall be construed accordingly) of the Notes in the form (subject to amendment) in which they will be set out in the Trust Deed.*

The £240,275,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2016 (the "**Class A Notes**") of Fordgate Commercial Securitisation No. 1 plc (the "**Issuer**") and the £24,027,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2016 of the Issuer (the "**Class B Notes**") (together, the "**Notes**"), issued on 20 October 2006 (the "**Closing Date**") are constituted by a trust deed dated the Closing Date (the "**Trust Deed**" as modified, supplemented and amended from time to time) made between the Issuer and HSBC Trustee (C.I.) Limited (the "**Note Trustee**", such term includes its successor or any further or other trustee under the Trust Deed as trustee for the holders for the time being of the Notes (the "**Noteholders**"). Any reference to a "Class" of Notes or of Noteholders shall be a reference to each of the Class A Notes and the Class B Notes, or any, or all, of their respective holders, as the case may be. The security for the Notes is created pursuant to, and on terms set out in, a deed of charge and assignment (the "**Issuer Deed of Charge**", such term includes such deed of charge as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto) dated the Closing Date and made between, *inter alios*, the Issuer and the Note Trustee. By an agency agreement dated the Closing Date and made, between, *inter alios*, the Issuer, the Note Trustee, HSBC Bank plc as principal paying agent (the "**Principal Paying Agent**" and as agent bank (the "**Agent Bank**") and HSBC Institutional Trust Services (Ireland) Limited as Irish paying agent (the "**Irish Paying Agent**", together with the Principal Paying Agent and any further or other paying agent, for the time being appointed in respect of the Notes, the "**Paying Agents**", such term includes any successor paying agent appointed in respect of the Notes) (the "**Agency Agreement**", such term includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto), provision is made for, *inter alia*, the payment of principal and interest in respect of the Notes of each Class. A liquidity facility will be provided to the Issuer by Lloyds TSB Bank plc (the "**Liquidity Facility Provider**") pursuant to the terms of a 364 day facility agreement to be entered into on or about the Closing Date between the Liquidity Facility Provider and the Issuer (the "**Liquidity Facility Agreement**"). The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement and the Issuer Deed of Charge. Copies of the Trust Deed, the Agency Agreement, the Issuer Deed of Charge and the other Issuer Transaction Documents (as defined below) are available for inspection by the Noteholders at the principal office for the time being of the Note Trustee, being at the date hereof at 1 Grenville Street, St Helier, Jersey, JE4 9PF and at the specified offices of the Paying Agents. The Noteholders and the holders for the time being of the Coupons (the "**Couponholders**") are entitled to the benefit of and are bound by and are deemed to have notice of all the provisions of the Trust Deed, the Issuer Deed of Charge, the Agency Agreement and any other Issuer Transaction Documents.

## 1. DEFINITIONS

In these Conditions, the following defined terms have the meanings set out below:

"**A1 Facility**" means the advance representing the proceeds of the Class A Notes made by the Issuer to the Borrower under the Issuer/Borrower Loan Agreement on or about the Closing Date;

"**A2 Facility**" means the advance representing the proceeds of the Class B Notes made by the Issuer to the Borrower under the Issuer/Borrower Loan Agreement on or about the Closing Date;

"**Account Bank**" means HSBC Bank plc, acting through its office at 8 Canada Square, London E14 5HQ, in its capacity as account bank or such other entity appointed as account bank from time to time, subject to and in accordance with the terms of the Account Bank Agreement;

"**Account Bank Agreement**" means the account bank agreement entered into on or about the Closing Date between, *inter alios*, the Issuer, the Borrower, the Cash Manager, the Note Trustee, the Borrower Security Trustee and the Account Bank;

"**B Lender**" means a holder from time to time of an economic interest in the B Loan;

"**B Loan Agreement**" means the loan agreement dated on or about the Closing Date between, *inter alios*, the Borrower, the Propcos and the B Lender;

"**Basic Terms Modification**" means (i) a modification of the date of maturity of the Notes or either Class thereof or (ii) a modification which would have the effect of postponing any day for payment of interest thereon, modifying the amount of principal or the rate of interest payable in respect of the Notes or either Class thereof, altering the currency of payment of the Notes or either Class thereof, altering the quorum or majority required in relation to an Extraordinary Resolution, altering the nature of the Issuer Security or altering the Pre-Enforcement Priority of Payments or the Post-Acceleration Priority of Payments or to amend this definition;

"**Borrower**" means Jupiter Properties Finance Limited, a private limited liability company registered in England and Wales with registered number 5927843;

"**Borrower Secured Creditors**" means the secured parties under the Borrower Security Agreement, namely: (a) the Borrower Security Trustee and any agent or appointee thereof, (b) the Issuer, (c) Servicer, (d) the Special Servicer, (e) the Account Bank (in its capacity as account bank to the Borrower), (f) the Swap Counterparty, (g) any Receiver appointed under the Borrower Security Agreement, (h) the B Lender, (i) the C Lender and (j) any other creditor who accedes to the Borrower Security Agreement from time to time in accordance with its terms and is designated a Borrower Secured Creditor;

"**Borrower Security Agreement**" means the deed of charge dated on or about the Closing Date and made between, *inter alios*, the Borrower, the Issuer, the Propcos, the Borrower Security Trustee and the other Borrower Secured Creditors;

**"Borrower Security Documents"** means the Borrower Security Agreement, the Mortgage of Shares and any document entered into pursuant to or in accordance with the Borrower Security Agreement (including, without limitation, each Standard Security and each Scottish Rental Assignment);

**"Borrower Security Trustee"** means Morgan Stanley Mortgage Servicing Limited or such other entity or entities appointed as security trustee for the Borrower Secured Creditors from time to time, subject to and in accordance with the terms of the Borrower Security Agreement;

**"Borrower Transaction Documents"** means (a) Finance Documents, (b) the Lease Documents, (c) the Account Bank Agreement, (d) the Intra-Group Subordinated Loan Agreement, (e) Intra-Group Loan Agreement, (f) the Servicing Agreement, (g) the Property Management Agreement, (h) the Swap Agreement, (i) the Master Definitions Schedule and (j) any other document designated as such from time to time by the Borrower and the Borrower Security Trustee, and **"Borrower Transaction Document"** means all or any of them;

**"Business Day"** means a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for general business and settle payments in London and Dublin except in the case of Condition 8.6 (Payment) when it shall mean a day on which commercial banks settle payments and are open for general business in the place where any Coupon or Note is presented for payment and in London and Dublin;

**"C Lender"** means a holder from time to time of an economic interest in the C Loan;

**"C Loan Agreement"** means the loan agreement dated on or about the Closing Date between, *inter alios*, the Borrower, the Propcos and the C Lender;

**"Calculation and Reporting Agent"** means Wells Fargo Securitisation Services Limited or such other entity appointed as calculation and reporting agent of the Issuer from time to time in accordance with the terms of the Cash Management Agreement;

**"Cash Management Agreement"** means a cash management agreement dated on or about the Closing Date between, *inter alios*, the Issuer, the Cash Manager, the Calculation and Reporting Agent and the Note Trustee;

**"Cash Manager"** means HSBC Bank plc or such other entity appointed as cash manager of the Issuer from time to time in accordance with the terms of the Cash Management Agreement;

**"Class A Coupons"** means the interest coupons related to the Class A Definitive Notes and for the time being outstanding, or as the context may require, a specific number of such coupons;

**"Class A Definitive Notes"** means any Class A Notes issued in definitive form in accordance with the Trust Deed;

**"Class A Noteholders"** means the holders of the Class A Notes;

"**Class B Coupons**" means the interest coupons related to the Class B Definitive Notes and for the time being outstanding, or as the context may require, a specific number of such coupons;

"**Class B Definitive Notes**" means any Class B Notes issued in definitive form in accordance with the Trust Deed;

"**Class B Noteholders**" means the holders of the Class B Notes;

"**Coupons**" means the Class A Coupons and the Class B Coupons;

"**Day Count Fraction**" means in respect of an Interest Period, the actual number of days in such period divided by 365;

"**Deferred Interest**" has the meaning given in Condition 5.8 (Deferral of Payment);

"**Definitive Notes**" means either Class of Notes issued in definitive bearer form;

"**Eligible Bank**" means an authorised institution under the Financial Services and Markets Act 2000 (as amended from time to time);

"**Eligible Investments**" means (i) investments made in any one of the following categories of investment in any particular order and in the following circumstances: (a) liquidity funds and/or money market funds (which may include units in unregulated collective investment schemes), demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper); provided that in all cases such investments will mature at least one business day prior to the next Note Interest Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or the or time deposits are made (being a bank or licensed EU credit institution) are rated "A-1+" by S&P and "F1" by Fitch or, if no such investment is available in the market, (b) Sterling denominated government securities or, if no such investment is available in the market (c) such deposits as are otherwise acceptable to the Rating Agencies if the deposits are (i) to be held in such account for 30 days or more and the short-term debt obligations of which have a short-term rating of not less than "A-1+" from S&P and "F1+" from Fitch or (ii) if the deposits are to be held in such account for less than 30 days or such other account or accounts with respect to which each of the Rating Agencies shall have confirmed in writing that the then current rating assigned to any of the Notes that are currently being rated by such Rating Agency will not be qualified, downgraded or withdrawn by reason thereof;

"**EU**" means the European Union;

"**Extraordinary Resolution**" means a resolution passed at a Meeting duly convened and held in accordance with the Trust Deed by not less than three quarters of the votes cast;

"**Finance Documents**" has the meaning given to that term in the Issuer/Borrower Loan Agreement;

"**Fitch**" means Fitch Ratings Ltd, and any successor to its ratings business;

**"Floating Rate"** means the rates of interest payable from time to time in respect of the Class A Notes and the Class B Notes;

**"Fordgate Parent"** means Rainbow Star Limited, a private limited company incorporated in Gibraltar with registered number 96461;

**"Intercreditor Agreement"** means the intercreditor agreement dated the Closing Date between, among others, the Issuer and the Borrower Security Trustee;

**"Interest Amount"** means:

- (a) in respect of a Note for any Interest Period, the aggregate amount of interest calculated on the related Interest Determination Date in respect of such Note for such Interest Period by multiplying the Principal Amount Outstanding of such Note on the Note Interest Payment Date next following such Interest Determination Date by the relevant Floating Rate and multiplying the amount so calculated by the relevant Day Count Fraction and rounding the resultant figure to the nearest Minimum Denomination; and
- (b) in relation to a Class for any Interest Period, the aggregate amount calculated in accordance with paragraph (a) above, in respect of such Class for such Interest Period;

**"Interest Determination Date"** means each Note Interest Payment Date or, in the case of the first Interest Period, the Closing Date and, in relation to an Interest Period, the **"related Interest Determination Date"** means the Interest Determination Date which falls on the first day of such Interest Period;

**"Interest Period"** means the period from (and including) an Note Interest Payment Date or, in respect of the payment of the first Interest Amounts the Closing Date, to (but excluding) the next following (or first) Note Interest Payment Date;

**"Intra-Group Loan Agreement"** means the intra-group loan agreement dated on or about the Closing Date between, *inter alios*, the Propcos, the Borrower and the Borrower Security Trustee;

**"Intra-Group Subordinated Loan Agreement"** means a subordinated loan agreement between, among others, the Propcos entered into on or about the Closing Date;

**"Issuer Accounts"** means the Issuer Transaction Account, the Issuer Share Capital Account, Stand-by Account, if any, and any other account opened by the Issuer in accordance with the terms of the Account Bank Agreement;

**"Issuer Secured Creditors"** means: (a) the Note Trustee and any agent or other appointee thereof, (b) the Noteholders and the Couponholders, (c) the Liquidity Facility Provider, (d) the Cash Manager (in its capacity as cash manager to the Issuer), (e) the Calculation and Reporting Agent (in its capacity as the calculation and reporting agent to the Issuer), (f) the Servicer (g) the Special Servicer, (h) the Account Bank (in its capacity as account bank to the Issuer), (i) the Agent Bank, (j) the Paying Agents, (k) the Corporate Services Provider, (l) any receiver appointed under the Issuer Deed of Charge and (m) any other creditor who accedes to the Issuer Deed of

Charge from time to time in accordance with its terms and is designated an Issuer Secured Creditor;

**"Issuer Security"** means the Security Interests created by the Issuer in favour of the Note Trustee (for itself and for and on behalf of the Noteholders and the other Issuer Secured Creditors) by or pursuant to the Issuer Deed of Charge;

**"Issuer Transaction Account"** means an account known as the "Fordgate Commercial Securitisation No. 1 plc Transaction Account", held in the name of the Issuer and maintained by the Account Bank pursuant to the terms of the Account Bank Agreement, or such other account as may be opened, with the consent of the Note Trustee, with the Account Bank or at an Eligible Bank in replacement of such account;

**"Issuer Transaction Documents"** means the: (a) Trust Deed, (b) the Issuer Deed of Charge, (c) the Issuer/Borrower Loan Agreement, (d) the Liquidity Facility Agreement, (e) the Cash Management Agreement, (f) the Agency Agreement, (g) the Account Bank Agreement, (h) the Post-Enforcement Call Option Agreement, (i) the Servicing Agreement, (j) the Corporate Services Agreement and (k) any other document designated as such from time to time by the Issuer, the Borrower, the Borrower Security Trustee and the Note Trustee, and **"Issuer Transaction Document"** means each or any of them;

**"Issuer/Borrower Loan"** means the aggregate amount of the A1 Facility and the A2 Facility advanced by the Issuer to the Borrower under the Issuer/Borrower Loan Agreement;

**"Issuer/Borrower Loan Agreement"** means the loan agreement entered into on or about the Closing Date between, *inter alios*, the Issuer, the Obligors and the Borrower Security Trustee;

**"Lead Manager"** means Morgan Stanley & Co. International Limited;

**"LIBOR Screen Rate"** has the meaning given to it in Condition 5.4(a) (Interest – Determination of LIBOR);

**"Loan Acceleration Notice"** means the notice delivered by the Borrower Security Trustee pursuant to Clause 19.18 (Acceleration) of the Issuer/Borrower Loan Agreement;

**"Master Definitions Schedule"** means the master definitions and interpretation schedule dated on or about the Closing Date and signed for the purposes of identification by Sidley Austin;

**"Meeting"** means a meeting of Noteholders of either Class (whether originally convened or resumed following an adjournment) held in accordance with the Trust Deed;

**"Minimum Denomination"** means £0.01;

**"Mortgage of Shares"** means the security document entered into by each Share Mortgagor pursuant to which it holds its respective interests in the Issuer, the



Borrower and the relevant Propco(s), on trust for itself, the Borrower Security Trustee and the other Borrower Secured Creditors;

**"Most Senior Class of Notes"** means the Class A Notes for so long as there are any Class A Notes outstanding and thereafter the Class B Notes for so long as there are any Class B Notes outstanding;

**"Note Acceleration Notice"** means a notice given by the Note Trustee to the Issuer declaring the Notes to be immediately due and repayable at any time after the happening of a Note Event of Default;

**"Note Event of Default"** has the meaning given to it in Condition 11 (Events of Default);

**"Note Interest Payment Date"** means 23 January, 23 April, 23 July and 23 October in each year, subject to the adjustments provided in Condition 5.2 (Interest – Note Interest Payment Dates and Interest Periods), with the first Note Interest Payment Date being the Note Interest Payment Date falling in January 2007;

**"Obligor Security"** means the Security Interests created by the Obligors in favour of the Borrower Security Trustee by or pursuant to the Borrower Security Documents;

**"Obligors"** means the Borrower, each Propco and subject to the terms of the Issuer/Borrower Loan Agreement each Share Mortgagor;

**"Participating Member State"** means a Member State of the European Communities which has adopted the Euro as its lawful currency in accordance with the Treaty;

**"Principal Amount Outstanding"** means, in respect of a Note on any date, its original principal amount on the Closing Date less the aggregate amount of all principal payments in respect of such Note which have become due and payable and have been paid on or prior to such date;

**"Propcos"** means each of Friars Bridge Court Limited (registered number 96456), Regent Centre Limited (registered number 96462), Pennine Centre Limited (registered number 96460), Nidox Limited (registered number 96481), Trident Retail Park Limited (registered number 96467), Melton Enterprises (One) Limited (registered number 96459), Melton Enterprises (Two) Limited (registered number 96480), Aspects Leisure Limited (registered number 96455), Teeside (Stockton) Limited (registered number 96483), Money Centre Plymouth Limited (registered number 96511), Cresta House (Luton) Limited (registered number 96478), Telegraph House Limited (registered number 96484), Argyle (Edinburgh) Limited (registered number 96454), Seafield House Limited (registered number 96510), Marathon House Limited (registered number 96458), Rubislaw House Limited (registered number 96463), Traquair House Limited (registered number 96466) and Prospect House Limited (registered number 96482) and each is a private company incorporated in Gibraltar with limited liability and each a **"Propco"**;

**"Properties"** means, at any time, an interest in any property over which the Propcos have granted a mortgage, standard security or fixed charge or security pursuant to the

terms of the Borrower Security Agreement and "**Property**" means each or any of them;

"**Property Management Agreement**" means a property management agreement to be entered into on or about the Closing Date between, *inter alia*, the Property Manager, each Propco and the Borrower Security Trustee;

"**Property Manager**" means Mayfield Asset and Property Management in its capacity as property manager under the Property Management Agreement or any other property manager appointed in accordance with the Issuer/Borrower Loan Agreement and the Property Management Agreement;

"**Rating Agencies**" means Fitch and S&P and "**Rating Agency**" means either of them;

"**Receiver**" means any receiver, manager, or administrative receiver appointed in respect of the Issuer by the Note Trustee in accordance with Clause 8 (*Receiver*) of the Issuer Deed of Charge;

"**Reference Banks**" means the four major reference banks in the London interbank market, selected by the Principal Paying Agent under the Notes;

"**relevant date**" has the meaning given to it in Condition 10 (Prescription);

"**Relevant Margin**" means:

- (a) in respect of the Class A Notes, • per cent. per annum; and
- (b) in respect of the Class B Notes, • per cent. per annum;

"**S&P**" means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. and any successor to its rating business;

"**Scottish Property**" means a Property located in Scotland;

"**Scottish Rental Assignment**" means each assignment of rent granted on or subsequent to the Closing Date by the relevant Obligor in favour of the Borrower Security Trustee (for itself and the other Borrower Secured Creditors) pursuant to the Borrower Security Agreement in respect of any Scottish Property;

"**Security Interest**" means any mortgage, standard security, charge, pledge, lien, assignment, assignation in security or security interest or any other agreement or arrangement having a similar effect;

"**Share Mortgagor**" means Fordgate Parent and the Fordgate Intermediate Co. or any other person who owns or acquires a Propco;

"**Standard Security**" means each standard security granted on or subsequent to the Closing Date by the relevant Obligor in favour of the Borrower Security Trustee pursuant to the Borrower Security Agreement over any Scottish Property;

**"Stand-By-Account"** means an account of the Issuer opened in accordance with the Liquidity Facility Agreement;

**"Stock Exchange"** means the Irish Stock Exchange Limited;

**"Subscription Agreement"** means the subscription agreement entered into on or about the Closing Date between, *inter alios*, the Issuer, the Lead Manager and the Obligors;

**"Swap Agreement"** means the agreement so named dated on or about the Closing Date and made between the Borrower and the Swap Counterparty;

**"Swap Counterparty"** means Morgan Stanley & Co. International Limited, in its capacity as swap counterparty or such other entity appointed as swap counterparty from time to time, subject to and in accordance with the terms of the Swap Agreement and the Issuer/Borrower Loan Agreement;

**"Talon"** and **"Talons"** means the talons for further Coupons attached to the Definitive Notes on issue;

**"TARGET System"** means the Trans-European Automated Real-time Gross Settlement Express Transfer system or any successor or replacement systems;

**"Tax"** means any present or future tax, levy, impost, duty, charge, fee, deduction or withholding of any nature whatsoever (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) imposed or levied by or on behalf of a Tax Authority and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly;

**"Tax Authority"** means any government, state, municipal, local, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function (including H.M. Revenue and Customs and any successor thereto);

**"Tax Deed of Covenant"** means the deed of covenant relating to tax matters entered into on or about the Closing Date between, *inter alios*, the Issuer and the Obligors;

**"Transaction Documents"** means the Issuer Transaction Documents and the Borrower Transaction Documents;

**"Treaty"** means the Treaty establishing the European Communities, as amended by the Treaty on European Union and the Treaty of Amsterdam;

**"Trust Deed"** means the trust deed constituting the Notes and dated on or about the Closing Date and made between the Issuer and the Note Trustee;

**"Trust Documents"** means the Trust Deed and the Issuer Deed of Charge and (unless the context requires otherwise) includes any deed or other document executed in accordance with the provisions of the Trust Deed or (as applicable) the Issuer Deed of Charge and expressed to be supplemental to the Trust Deed or the Issuer Deed of Charge (as applicable); and

"VAT" means value added tax as imposed by the Value Added Tax Act 1994 and any other tax of a similar fiscal nature whether imposed in the United Kingdom (instead of or in addition to value added tax) or elsewhere from time to time.

## **2. FORM, DENOMINATION AND TITLE**

### **2.1 Form**

The Notes are in bearer form in the denominations of £50,000 integral multiples of £1000 in excess thereof with, Coupons and Talons for further Coupons attached at the time of issue. Title to the Notes, the Coupons and the Talons will pass by delivery. The holder of any Note, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

### **2.2 Trading in nominal amounts**

- (a) For so long as the Notes of any Class are represented by a Global Note, and the rules of Euroclear and Clearstream, Luxembourg so permit, the Notes of that Class will be tradeable in the minimum nominal amount of £50,000 and integral multiples of £1000 in excess thereof.
- (b) If Definitive Notes for that Class of Notes are required to be issued and printed, any Noteholder holding Notes having a nominal amount which cannot be represented by a Definitive Note in the denomination of £50,000 or an integral multiple of £1000 in excess thereof will not be entitled to receive a Definitive Note in respect of such Notes and will not therefore be able to receive principal or interest in respect of such Notes.
- (c) At any meeting of Noteholders of either Class while the Notes of that Class are represented by a Global Note:
  - (i) any vote cast will be valid only if it is in respect of not less than £1,000 in nominal amount; and
  - (ii) any such holding will be counted for the purposes of determining whether or not a meeting is quorate only to the extent that it is in respect of not less than £1,000 in nominal amount.

## **3. STATUS, SECURITY AND PRIORITY**

### **3.1 Status and relationship between the Notes**

- (a) The Class A Notes and the Coupons and Talons relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the Issuer Security (as defined below). The Class A Notes rank *pari passu* without preference or priority amongst themselves and prior to and following enforcement of the Issuer Security, payments of principal and interest on the Class A Notes rank ahead of, *inter alia*, payments of principal and interest on the Class B Notes, subject to Conditions 7.2 (Redemption and Cancellation –

Redemption for Taxation or Other Reasons) and 7.3 (Redemption and Cancellation – Mandatory Redemption).

- (b) The Class B Notes and Coupons and Talons relating thereto constitute direct, secured and (subject as provided herein) unconditional obligations of the Issuer and are secured by the Issuer Security. The Class B Notes rank *pari passu* without preference or priority amongst themselves and prior to and following enforcement of the Issuer Security, payments of principal and interest on the Class B Notes are subordinated to, *inter alia*, payments of principal and interest on the Class A Notes.
- (c) The Trust Deed and the Issuer Deed of Charge contain provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders and the Class B Noteholders equally as regards all rights, powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise and in relation to any consent, approval, modification, waiver authorisation or determination pursuant to Conditions 14.1, 14.2 and 14.3 and Clause 17 of the Trust Deed), but requiring the Note Trustee in any such case (except in relation to the enforcement of the security pursuant to the Issuer Deed of Charge as referred to in Condition 3.2, below) to have regard only to the interests of the Class of Noteholders which rank ahead if, in the Note Trustee's opinion, there is a conflict between the interests of two or more classes of Noteholders.

So long as any of the Notes remains outstanding, the Note Trustee is not required to have regard to the interests of any persons (other than the Noteholders) entitled to the benefit of the security constituted by the Issuer Deed of Charge or any other person.

- (d) In the event of an issue of Further Notes (as defined in Condition 19.1 (Further Notes)), Replacement Notes (as defined in Condition 19.2 (Replacement Notes)) or New Notes (as defined in Condition 19.3 (New Notes)), the provisions of these Conditions, the Trust Deed, the Issuer Deed of Charge and the other Transaction Documents, including (in the case of Replacement Notes or New Notes) those concerning:
  - (i) the basis on which the Note Trustee will be required to exercise its rights, powers, trusts, authorities, duties and discretions (including in circumstances where, in the opinion of the Note Trustee, there is a conflict between the interests of any Class of the Noteholders and the holders of such Replacement Notes or New Notes);
  - (ii) the circumstances in which the Note Trustee will become bound to take action, as referred to in Condition 11 (Events of Default);
  - (iii) meetings of Noteholders and the passing of effective Extraordinary Resolutions; and
  - (iv) the order of priority of payments both prior to, and upon, enforcement of the Issuer Security,

will be modified in such manner as the Note Trustee considers necessary to reflect the issue of such Further Notes, Replacement Notes or, as the case may

be, New Notes and any new Transaction Documents entered into in connection with such Further Notes, Replacement Notes or, as the case may be, New Notes and the ranking thereof and of the claims of any party to any of such new Transaction Documents in relation to each Class of the Notes.

### **3.2 Security**

The Notes are subject to the Issuer Deed of Charge and the Borrower Security Agreement pursuant to which the claims and exercise of rights of the Noteholders against the Issuer and of the Issuer against the Borrower in respect of the Issuer/Borrower Loan Agreement and the claims of the Borrower against the Propcos are regulated.

Subject to the terms of the Issuer Deed of Charge and the Borrower Security Agreement, the Note Trustee (as assignee of the rights of the Issuer under the Issuer Transaction Documents) has the exclusive right, power and authority to direct, or to refrain from directing, the Borrower Security Trustee to exercise its rights to enforce the Borrower Security Agreement, the Issuer/Borrower Loan Agreement and the Intra-Group Loan Agreement following the service of a Loan Acceleration Notice and in the exercise of certain other of its rights in respect of the Issuer/Borrower Loan Agreement, the Intra-Group Loan Agreement and the other Borrower Transaction Documents against the Obligor all as more particularly described in the Issuer Deed of Charge and the Borrower Security Agreement.

As continuing security for the payment of all monies payable in respect of the Notes and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Note Trustee) and for the payment of certain other amounts, the Issuer has entered into the Issuer/Borrower Loan and the Issuer Deed of Charge creating the following security in favour of the Note Trustee for itself and on trust for the other Issuer Secured Creditors:

- (a) an assignment by way of first fixed security of the Issuer's right, title, interest and benefit, present and future, in, to and under the Issuer/Borrower Loan and the Issuer Transaction Documents other than the Trust Deed and the Issuer Deed of Charge and under the Borrower Security Documents;
- (b) a first fixed charge over the Issuer's right, title, interest and benefit, present and future, in and to all amounts in the Issuer Accounts (other than the Issuer Share Capital Account);
- (c) a first fixed charge over its interests in any Eligible Investments permitted to be made by the Issuer pursuant to the Cash Management Agreement; and
- (d) a first ranking floating charge over all and the whole of its undertaking not effectively charged or assigned as fixed security pursuant to (a) – (c) (inclusive) above (but including all of its undertaking, assets and property situated in Scotland or governed by the law of Scotland), all as more particularly set out in the Issuer Deed of Charge.

### **3.3 Enforcement of the Issuer Security**

The Issuer Security will become enforceable upon the Note Trustee giving a Note Acceleration Notice to the Issuer provided that, if the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Most Senior Class of Notes then outstanding, the Note Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (a) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and the Couponholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes or (b) the Note Trustee is of the opinion, which shall be binding on the Noteholders, the Couponholders and the other Issuer Secured Creditors, reached after considering at any time and from time to time the advice of such professional advisers as are selected by the Note Trustee upon which the Note Trustee shall be entitled to rely (provided that if the Note Trustee is unable to obtain such advice having made reasonable efforts to do so this Condition 3.3(b) (Status, Security and Priority – Enforcement of the Issuer Security) shall not apply), that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other relevant actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and the Couponholders and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes or (c) the Note Trustee considers, in its sole discretion, that not to effect such disposal would place the Issuer Security in jeopardy. In respect of all powers, trusts, authorities, duties and discretions of the Note Trustee in relation to the enforcement of the security pursuant to the Issuer Deed of Charge (except where expressly provided otherwise), the Note Trustee will be obliged to consider the interests of both Classes of Noteholders (notwithstanding Condition 3.1 (Status and relationship between the Notes) and (save as specified below) so long as any of the Notes are outstanding, the Note Trustee shall, as regards all powers, trusts, duties and discretions of the Note Trustee (except where expressly provided otherwise), have no regard to the interests of, and will be relieved of all duties and liabilities to the Issuer Secured Creditors (other than the Noteholders) provided that the Note Trustee shall not be bound to make any determination contained in this Condition 3.3 (Status, Security and Priority – Enforcement of the Issuer Security) unless the Note Trustee has been indemnified and/or secured to its satisfaction.

## **4. COVENANTS**

### **4.1 Restrictions**

Save with the prior written consent of the Note Trustee or unless otherwise provided in or envisaged by these Conditions or the Issuer Transaction Documents, the Issuer shall not, so long as any Note remains outstanding:

(a) Negative Pledge

create or permit to subsist any mortgage, standard security, sub-mortgage, charge, sub-charge, pledge, lien (unless arising by operation of law) or other security interest whatsoever over any of its assets, property or undertakings, present or future (including any uncalled capital) or any interest, estate, right,

title or benefit therein or use, invest or dispose of, including by way of sale or the grant of any security interest of whatsoever nature or otherwise deal with, or agree or attempt or purport to sell or otherwise dispose of or grant any option or right to acquire any such assets, property or undertakings present or future;

(b) Restrictions on Activities

- (i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities which the Issuer Transaction Documents provide or envisage that the Issuer will engage in;
- (ii) have any subsidiaries, any subsidiary undertaking (as defined in the Companies Act 1985) or any employees or premises;
- (iii) amend, supplement or otherwise modify its Memorandum and Articles of Association or the Issuer Transaction Documents; or
- (iv) issue any further shares;

(c) Disposal of Assets

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire, any of its assets (including any uncalled capital) or undertakings or any interest, estate, right, title or benefit therein, present or future, or the assets subject to the Issuer Security;

(d) Dividends or Distributions

pay any dividend or make any other distribution to its shareholders or issue any further shares, other than in accordance with the Cash Management Agreement and the Issuer Deed of Charge;

(e) Borrowings

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever, except in respect of the Notes or give any guarantee or indemnity in respect of any indebtedness or of any obligation of any person;

(f) Merger

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person;

(g) Other permit

the validity or effectiveness of any of the Issuer Transaction Documents, or the priority of the Security Interests created thereby, to be amended, terminated, postponed or discharged, or consent to any variation of, or exercise, any powers of consent or waiver pursuant to the terms of, the Trust Deed, these Conditions, the Issuer Deed of Charge or any of the other Issuer Transaction Documents, or permit any party to any of the Issuer Transaction Documents or any person whose obligations form part of the Issuer Security to



be released from such obligations, or dispose of any part of the Issuer Security, save as envisaged in the Issuer Transaction Documents;

(h) VAT

be or apply to form or become part of any group of companies for VAT purposes (including any group of companies for the purposes of sections 43 to 43D (inclusive) of the Value Added Tax Act 1994) with any other company or group of companies unless required to do so by applicable law or regulations;

(i) Bank accounts

have an interest in any bank account other than the Issuer Transaction Account or the Stand-by Account, unless such account or interest therein is charged to the Note Trustee on terms acceptable to it;

(j) Surrender of group relief

offer or consent to surrender to any company any amounts which are available:

(i) for surrender by way of group relief under Chapter IV of Part X of the Income and Corporation Taxes Act 1988; or

(ii) to be treated pursuant to section 102 Finance Act 1989 as amounts of United Kingdom corporation tax or interest paid by another company, save as provided in the Tax Deed of Covenant;

(k) Residence

do any act or thing, the effect of which would be to make the Issuer resident for Tax purposes in any jurisdiction other than the United Kingdom or its "centre of main interests" (within the meaning of Council Regulation (EC) no. 1346/2000 on insolvency proceedings) to be in any jurisdiction other than England and Wales;

(l) Group Payment Arrangements

enter into arrangements with any other company or companies and/or any Tax Authority providing for the discharge of any other company's Tax liability by it;

(m) UK withholding tax

do any act or thing, or fail to do any act or thing, the effect of which would be that an amount for or on account of any Taxes imposed, levied, collected or assessed by or on behalf of any United Kingdom Tax Authority would be required to be withheld or deducted from any payment due to the Issuer under the Issuer/Borrower Loan Agreement; or

(n) Notional transfers of capital assets

enter into an election or other arrangements with any company and/or any Tax Authority for the deemed transfer to the Issuer and/or deemed disposal by the Issuer of any asset or part of an asset for the purposes of United Kingdom corporation tax on chargeable gains.

In giving any consent to the foregoing, the Note Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Issuer Transaction Documents or may impose such other conditions or requirements as the Note Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders, provided that each of the Rating Agencies then rating the Notes confirm in writing to the Note Trustee that such modifications or additions do not cause any downgrade in the then current ratings of either Class of the Notes assigned by such Rating Agency.

## **5. INTEREST**

### **5.1 Period of Accrual**

The Notes bear interest on their Principal Amount Outstanding from (and including) the Closing Date. Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) shall cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused or default is otherwise made in respect of the payment. In such event, interest will continue to accrue thereon (as well after as before any judgment or decree) at the rate applicable to such Note up to (but excluding) the date on which, on presentation of such Note, payment in full of the relevant amount of principal is made or (if earlier) the seventh day after notice is duly given to the holder thereof (either in accordance with Condition 17 (Notices to Noteholders) or individually) that, upon presentation thereof being duly made, such payment will be made, provided that upon presentation thereof being duly made, payment is in fact made.

### **5.2 Note Interest Payment Dates and Interest Periods**

Interest on the Notes is payable quarterly, other than in respect of the first Interest Period, in arrear on each Note Interest Payment Date in each year (or, if such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day) in respect of the Interest Period ending immediately prior thereto.

### **5.3 Rates of Interest**

The Floating Rate will be determined by the Agent Bank as soon as practicable after 11.00 a.m. (London time) on each Interest Determination Date.

The Floating Rates applicable to the Class A Notes and the Class B Notes for any Interest Period shall be the aggregate of:

- (a) the Relevant Margin; and

- (b) LIBOR;

There will be no minimum or maximum Floating Rate.

#### 5.4 Determination of LIBOR

For the purposes of determining each Floating Rate under Condition 5.3 (Interest – Rates of Interest), LIBOR will be determined by the Agent Bank on the basis of the following provisions:

- (a) on each Interest Determination Date, the Agent Bank will determine the interest rate on sterling deposits for a period of three months quoted on the display designated as the British Bankers Association's Interest Settlement Rate as quoted on the Telerate Monitor, Telerate Screen No. 3750 (or (i) such other page as may replace Telerate Screen No. 3750 on that service for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one previously approved in writing by the Note Trustee) as may replace the Telerate Monitor) (the "**LIBOR Screen Rate**") at or about 11.00 a.m. (London time) on the Interest Determination Date in question; and
- (b) if, on any Interest Determination Date, the LIBOR Screen Rate is unavailable, the Agent Bank will request each Reference Bank to provide the Agent Bank with its offered quotation to leading banks for three month sterling deposits in an amount that is representative for a single transaction in the market at that time in London for same day value as at 11.00 a.m. (London time) on the Interest Determination Date in question. The Floating Rate for the relevant Interest Period shall be the arithmetic average (rounded, if necessary, to the nearest one thousandth of a percentage point, 0.0005 being rounded upwards) of the offered quotations of those Reference Banks and the Relevant Margin. If, on any such Interest Determination Date, two or three only of the Reference Banks provide such offered quotations to the Agent Bank, the Floating Rate for the relevant Interest Period shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, one only or none of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Note Trustee and the Issuer for the purpose of agreeing two banks (or, where one only of the Reference Banks provides such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks is or are in the opinion of the Note Trustee suitable for such purpose) and the Floating Rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the rate of interest for the relevant Interest Period shall be the Floating Rate in effect for the last preceding Interest Period to which paragraph (a) or the foregoing provisions of this paragraph (b) shall have applied.

## **5.5 Determination of Floating Rates and Calculation of Interest Amounts for Notes**

The Agent Bank shall, on or as soon as practicable after each Interest Determination Date but in no event later than the third Business Day thereafter, determine, and notify the Issuer, the Note Trustee, the Swap Counterparty, the Cash Manager, the Calculation and Reporting Agent and the Paying Agents of, (a) the Floating Rates applicable to the Class A Notes and the Class B Notes for the Interest Period beginning on and including the Note Interest Payment Date relating to such Interest Determination Date and (b) the Interest Amount payable in respect of such Interest Period in respect of each Class of the Notes.

## **5.6 Publication of Floating Rates, Interest Amounts and other Notices**

As soon as practicable after receiving notification thereof and in no event later than the second Business Day thereafter, the Issuer will cause the Floating Rate and the Interest Amount applicable to each Class of Notes for each Interest Period and the immediately succeeding Note Interest Payment Date to be notified to the Stock Exchange (for so long as the Notes are admitted to trading on the Stock Exchange) and will cause notice thereof to be given to the Noteholders in accordance with Condition 17 (Notices to Noteholders). The Interest Amounts and Note Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period.

## **5.7 Determination or Calculation by the Note Trustee**

If the Agent Bank does not at any time for any reason determine a Floating Rate for the Class A Notes and the Class B Notes and/or calculate the Interest Amount for the Notes of each Class in accordance with the foregoing Conditions, the Note Trustee may (but without any liability accruing to the Note Trustee as a result) (a) determine the Floating Rate for the Class A Notes and the Class B Notes (as the case may be) at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances and/or (as the case may be) (b) calculate the Interest Amount for each Class of the Notes in the manner specified in these Conditions, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

## **5.8 Deferral of Payment**

- (a) Interest on the Notes is payable subject to, and in accordance with the order of priorities set out in the Pre-Enforcement Priority of Payments or the Post-Enforcement Priority of Payments. If, on any Note Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any Deferred Interest (as defined below) and accrued interest thereon) payable in respect of the Class B Notes after having paid or provided for items of higher priority, then the Issuer shall be entitled (unless there are then no Class A Notes and/or Class B Notes outstanding) to defer, to the next Note Interest Payment Date, the payment of interest in respect of the Class B Notes to the extent only of any insufficiency of funds after having paid or provided for all amounts specified as having a higher priority than interest payable in respect of the Class B Notes.

- (b) Any amount of interest (including any Deferred Interest arising on any preceding Note Interest Payment Date and accrued interest thereon) on the Class B Notes which is not due and payable on an Note Interest Payment Date as a result of the provisions of this Condition 5.8 is the Deferred Interest arising on any such Note Interest Payment Date. Interest will accrue on the amount of any such "**Deferred Interest**" at the rate from time to time applicable to the Class B Notes and on the same basis as interest on the Class B Notes then applicable. Any Deferred Interest and accrued interest thereon is payable on the next Note Interest Payment Date unless and to the extent that this Condition 5.8 applies.
- (c) As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes will be deferred or that a payment previously deferred will be made in accordance with this Condition 5.8 the Issuer will give notice thereof to the Class B Noteholders in accordance with Condition 17 (Notices to Noteholders). Any deferral of interest in accordance with this Condition 5.8 will not constitute a Note Event of Default. The provisions of this Condition 5.8 shall cease to apply on the Final Maturity Date or any earlier date on which the Notes become repayable in full or upon acceleration of the Notes pursuant to Condition 11 (Events of Default), at which time all Deferred Interest and accrued interest thereon shall become due and payable.

## **6. NOTIFICATIONS**

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of Condition 5 (Interest), whether by the Reference Banks (or any of them) or the Agent Bank or the Note Trustee shall (in the absence of wilful default, negligence, fraud or manifest error) be binding on the Issuer, the Agent Bank, the Note Trustee, the Cash Manager, the Calculation and Reporting Agent, the Paying Agents, all Noteholders and Couponholders and (in such absence as aforesaid) no liability to the Issuer, the Noteholders or Couponholders shall attach to the Reference Banks, the Agent Bank or the Note Trustee in connection with the exercise or non-exercise by them or any of them of their powers, duties and discretions hereunder.

## **7. REDEMPTION AND CANCELLATION**

### **7.1 Final Redemption**

Unless previously redeemed in full and cancelled as provided in this Condition 7 (Redemption and Cancellation), the Issuer shall redeem the Notes at their Principal Amount Outstanding together with accrued interest on the Note Interest Payment Date falling in October 2016.

Without prejudice to Condition 11 (Events of Default), the Issuer shall not redeem the Notes in whole or in part prior to that date except as provided in Condition 7.2 (Redemption for Taxation or Other Reasons) or Condition 7.3 (Mandatory Redemption) or Condition 7.4 (Optional Redemption in whole or in part).

## **7.2 Redemption for Taxation or Other Reasons**

- (a) If the Issuer at any time satisfies the Note Trustee immediately prior to the giving of the notice referred to below that, on the occasion of the next Note Interest Payment Date, the Issuer would either (i) become subject to tax on its income in more than one jurisdiction or the Issuer would be required to make any withholding or deduction from any payment of principal or interest in respect of any of the Notes, or the Issuer would suffer any withholding or deduction from any payment in respect of the Issuer/Borrower Loan, for or on account of any present or future tax, duty or charge of whatsoever nature incurred or levied by or on behalf of the United Kingdom or any authority thereof or therein having power to tax or (ii) by reason of a change in law, which change becomes effective on or after the Closing Date, it has become unlawful for the Issuer to make, lend or allow to remain outstanding all or any advances made or to be made by it under the Issuer/Borrower Loan Agreement, then the Issuer shall inform the Note Trustee accordingly and shall, in order to avoid the event described, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved in writing by the Note Trustee as principal debtor under the Notes in accordance with Condition 14.6 (Substitution of Principal Debtor).
- (b) If the Issuer is unable to arrange such a substitution which would have the result of avoiding the event described above, then the Issuer shall, having given not more than 60 nor less than ten days' written notice (or in the case of paragraph (ii) above, such shorter notice period expiring on or before the latest date permitted by the relevant law) to the Noteholders in accordance with Condition 17 (Notices to Noteholders), redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with accrued interest on the next Note Interest Payment Date, provided that, prior to giving any such notice, the Issuer shall have satisfied the Note Trustee that it will have the funds, not subject to the interest of any other person, required to fulfil its obligations hereunder in respect of the Notes and any amounts required under the Issuer Deed of Charge to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Note Trustee a certificate signed by two directors of the Issuer stating that the event described above will apply on the occasion of the next Note Interest Payment Date and cannot be avoided by the Issuer using reasonable endeavours to arrange a substitution as aforesaid and that the Issuer will have the funds referred to above; and the Note Trustee shall accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above and it shall be conclusive and binding on the Noteholders.

## **7.3 Mandatory Redemption in whole or in part**

The Borrower has the option under the Issuer/Borrower Loan Agreement to repay all or part of the Issuer/Borrower Loan on any Note Interest Payment Date. If the Borrower voluntarily prepays all or part of the Issuer/Borrower Loan, the Borrower will prepay the A1 Facility and the A2 Facility in the order specified at its discretion. The Borrower will be under an obligation to prepay the Issuer/Borrower Loan in the amount specified therein upon the occurrence of certain events specified in the Issuer/Borrower Loan Agreement, including following (i) the sale or other disposal of

a Property or a Propco, (ii) the receipt of certain insurance proceeds and (iii) a prepayment of all or part of the Intra-Group Loans. If the Borrower is obliged to prepay all or part of the Issuer/Borrower Loan or if it elects to prepay the Issuer/Borrower Loan when certain tax payments are payable under the Issuer/Borrower Loan Agreement to the Issuer, the Borrower will prepay the A1 Facility and the A2 Facility *pro rata*. In each case, the Issuer shall, provided that it gives no more than 60 and no less than ten days' written notice to the Note Trustee and to the Noteholders in accordance with Condition 17 (Notices to Noteholders), apply such prepayment to redeem *pro rata* the corresponding principal amount of the Class A Notes and the Class B Notes outstanding on such Note Interest Payment Date together with accrued interest (which if it is not sufficient to repay the Notes in full will be applied in accordance with Condition 7.8)

#### **7.4 Optional Redemption in whole or in part**

The Issuer has the option to redeem all or part of the Notes or all or part of any Class of Notes on any Note Interest Payment Date provided that it gives not more than 60 nor less than ten days' written notice to the Note Trustee and to the Noteholders in accordance with Condition 17 (Notices to Noteholders) and that, in the case of a redemption of the Notes in full pursuant to this Condition 7.4, prior to the publication of each notice of redemption the Issuer has provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds on the relevant Note Interest Payment Date, not subject to the interest of any other person, required to redeem such Notes at their respective Principal Amount Outstanding together with accrued interest pursuant to this Condition and to discharge in full all payment obligations that rank in priority to, or *pari passu* with, the Notes under the Pre-Enforcement Priority of Payments. If the Notes are redeemed in part pursuant to this Condition 7.4 the redemption funds received from the Issuer will be applied to redeem *pro rata* the corresponding principal amount of the Class A Notes and the Class B Notes outstanding on such Note Interest Payment Date together with accrued interest in accordance with Condition 7.8

#### **7.5 Notice of Redemption**

Any such notice as is referred to in Condition 7.2 (Redemption and Cancellation – Redemption for Taxation or Other Reasons) Condition 7.3 (Mandatory Redemption in whole or in part) or Condition 7.4 (Optional Redemption in whole or in part) above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes in the amounts specified in such notice (provided such amounts are in compliance with these Conditions).

#### **7.6 No Purchase by Issuer**

The Issuer may not purchase Notes.

#### **7.7 Cancellation**

All Notes redeemed in full pursuant to the foregoing provisions will be cancelled forthwith, together with any unmatured and unused Coupons and Talons appertaining thereto and attached thereto or surrendered therewith, and may not be resold or re-issued.

## 7.8 Principal Payments

The principal amount (if any) to be redeemed in respect of each Note (the "**Note Principal Payment**") on any Note Interest Payment Date under Condition 7.3 or Condition 7.4, as applicable, will, in relation to the Notes of a particular class, be a *pro rata* share of the aggregate amount required to be applied in redemption of the Notes of that class on such Note Interest Payment Date under Condition 7.3 or Condition 7.4, as applicable, (rounded down to the nearest penny) provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

On each Calculation Date, the Calculation and Reporting Agent shall determine (i) the amount of any Note Principal Payment (if any) due on the next following Note Interest Payment Date, (ii) the Principal Amount Outstanding of each Note on the next following Note Interest Payment Date (after deducting any Note Principal Payment to be paid on that Note Interest Payment Date), and (iii) the fraction expressed as a decimal to the sixth place (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding (after deducting any Note Principal Payment to be paid on that Note Interest Payment Date) of a Note of the relevant class (calculated on the assumption that the face amount of such Note on the date of issuance thereof was £50,000 and the denominator is £50,000. Each determination by the Calculation and Reporting Agent of any Note Principal Payment, the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The Issuer (or the Calculation and Reporting Agent on its behalf) will cause determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified in writing forthwith to the Note Trustee, the Paying Agents, the Rating Agencies, the Agent Bank and (for so long as the Notes are admitted to trading on the Irish Stock Exchange) the Irish Stock Exchange and will cause notice of each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be given to the Noteholders in accordance with Condition 17 as soon as reasonably practicable.

If the Issuer (or the Calculation and Reporting Agent on its behalf) does not at any time for any reason determine a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this Condition, such Note Principal Payment, Principal Amount Outstanding and Pool Factor may be determined by the Note Trustee (but without any liability accruing to the Note Trustee as a result) in accordance with this Condition, and each such determination or calculation will be binding and will be deemed to have been made by the Issuer or the Calculation and Reporting Agent, as the case may be.

## 8. PAYMENTS

- 8.1 Payments of principal and interest will be made against presentation and surrender of the relevant Note or Coupon at the specified office of any Paying Agent. Such payment will be made in sterling at the specified office of any Paying Agent by transfer to a sterling account maintained by the payee with a bank in London. No payment with respect to any Note will be made at an office of any Paying Agent in the United States or by transfer to an account in the United States.



- 8.2 Payments of principal and interest in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto.
- 8.3 Upon the date upon which any Note becomes due and payable in full, unmatured Coupons appertaining thereto (whether or not attached to such Note) shall become void and no payment or, as the case may be, exchange shall be made in respect thereof. If the due date for redemption of any Note is not an Note Interest Payment Date, accrued interest will be paid only against presentation and surrender of such Note. As used herein, "unmatured" Coupons include any Talon insofar as it relates entirely to unmatured Coupons.
- 8.4 If payment of principal is improperly withheld or refused on, or in respect of, any Note or part thereof, the interest which continues to accrue in respect of such Note or part thereof in accordance with Condition 5.1 (Interest – Period of Accrual) will be paid against presentation of such Note at the specified office of any Paying Agent.
- 8.5 The Principal Paying Agent and its initial specified office are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a Paying Agent with a specified office in London. The Issuer will cause at least 30 days' prior written notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with Condition 17 (Notices to Noteholders).
- 8.6 If the due date for payment of any amount in respect of any Note or Coupon is not a Business Day in the place of presentation, payment shall not be made on such day but on the next succeeding Business Day and no further payments of additional amounts by way of interest, principal or otherwise shall be due in respect of such Coupon or, as the case may be, such Note.
- 8.7 On or after the Note Interest Payment Date specified on each final Coupon forming part of any Coupon sheet, the Talon may be surrendered at any specified office of any Paying Agent in exchange for a further Coupon sheet (including a further Talon but excluding any Coupon which shall have become void). Each Talon shall, for the purposes of these Conditions, be deemed to mature on the Note Interest Payment Date on which the final Coupon comprised in the relevant Coupon sheet matures.

## **9. TAXATION**

All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Notes subject to any such withholding or deduction. In that event, the Issuer or such Paying Agent (as the case may be) shall be entitled to withhold or deduct the required amount for or on account of Tax from such payment and shall account to the relevant Tax Authorities for the amount so withheld or deducted. Neither the Issuer nor any Paying Agent nor any other person will be obliged to make any additional payments to holders of Notes in respect of any amounts so withheld or deducted.

## 10. PRESCRIPTION

Claims in respect of the Notes shall become void unless the relevant Notes or Coupons are presented for payment within a period of ten years, in the case of principal, and five years, in the case of interest from the relevant date in respect thereof. After the date on which a Note or a Coupon becomes void in its entirety, no claim may be made in respect thereof. In this Condition, the "relevant date" is the date on which the payment in question first becomes due or (if the full amount of the monies payable has not been duly received by the Principal Paying Agent or the Note Trustee on or prior to such date) the date on which, the full amount of such monies having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 17 (Notices to Noteholders).

## 11. EVENTS OF DEFAULT

For so long as any Class A Notes and/or Class B Notes are outstanding, the Note Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding shall, (subject, in each case, to being indemnified and/ or secured to its satisfaction), give a Note Acceleration Notice to the Issuer declaring the Notes to be due and repayable at any time after the happening of any of the following events (each a "**Note Event of Default**"):

- (a) default is made for a period of five Business Days from the due date thereof in the payment of principal in respect of, or default is made for a period of five Business Days from the due date thereof in the payment of interest on, any Note as and when the same ought to be paid in accordance with these Conditions provided that a deferral of interest in accordance with Condition 5.8 (Deferral of Payment) shall not constitute a default in the payment of such interest for the purposes of this Condition 11(a); or
- (b) default is made by the Issuer in the performance or observance of any other obligation binding upon it under any of the Notes, the Trust Deed, the Issuer Deed of Charge or the other Issuer Transaction Documents to which it is a party and, in any such case (except where the Note Trustee certifies that, in its opinion, such default is incapable of remedy when no notice will be required) such default continues for a period of 30 days following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as referred to in Condition 11(e) (Events of Default) below, ceases or, through an official action of the board of directors of the Issuer, threatens to cease to carry on business or a substantial part of its business or the Issuer is unable to pay its debts within the meaning of Section 123 of the Insolvency Act 1986 (as that section may be amended); or
- (d) it has or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes and/or the Issuer Transaction Documents;

- (e) an order is made by any competent court or an effective resolution is passed for the winding-up of the Issuer except a solvent winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Note Trustee in writing or by an Extraordinary Resolution of each of the Class A Noteholders and the Class B Noteholders; or
- (f) proceedings shall be initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, presentation of a petition for an administration order, documents being filed with a court for the appointment of an administrator or notice of intention to appoint an administrator being served by its shareholders, directors or other officers) and such proceedings are not, in the opinion of the Note Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order shall be granted or an administrative receiver or other receiver, liquidator or other similar official shall be appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertakings or assets of the Issuer, or an encumbrancer shall take possession of the whole or any substantial part of the undertakings or assets of the Issuer, or a distress, execution or diligence or other process shall be levied or enforced upon or sued out against the whole or any substantial part of the undertakings or assets of the Issuer and such possession or process (as the case may be) shall not be discharged or otherwise ceases to apply within 30 days, or the Issuer initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally,

provided that, in the case of the events described in paragraph (b) above, the Note Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding.

For the avoidance of doubt, upon any declaration being made by the Note Trustee in accordance with this Condition 11 (Events of Default) that the Notes are due and repayable, each of the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest as provided in the Trust Deed.

## **12. ENFORCEMENT OF NOTES**

- 12.1 The Note Trustee may, at any time, at its discretion and without giving any notice take such proceedings against the Issuer or any other person as it may think fit to enforce the provisions of the Notes, the Trust Deed, the Issuer Deed of Charge and any other Issuer Transaction Document, to which it is a party and at any time after the giving of a Note Acceleration Notice, the Note Trustee may, at its discretion and without further notice, take such steps as it may think fit to enforce the Issuer Security but it shall not be bound to take any such proceedings or steps unless it shall have been (a) so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding, or so requested in writing by the holders of at least

25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding; and (b) indemnified and/or secured to its satisfaction.

- 12.2 No Noteholder shall be entitled to proceed against the Issuer or any other party to the Transaction Documents or to enforce the Issuer Security unless the Note Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. The Note Trustee cannot, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any of the Issuer Secured Creditors (other than the Noteholders) under the Issuer Deed of Charge.

### **13. MEETINGS OF NOTEHOLDERS**

#### **13.1 Convening**

The Trust Deed contains provisions for convening separate meetings of the Noteholders of each Class to consider any matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the provisions of the Trust Deed, the Notes or these Conditions or the provisions of any of the other Issuer Transaction Documents.

#### **13.2 Request from Noteholders**

A meeting of each Class of Noteholders may be convened by the Note Trustee or the Issuer at any time and must be convened by the Note Trustee (subject to the Note Trustee having been indemnified and/or secured to its satisfaction against all costs (including without limitation, legal fees and expenses) liabilities and expenses thereby occasioned) or the Issuer upon the request in writing of holders of such Class holding not less than 10 per cent. of the aggregate Principal Amount Outstanding of the outstanding Notes of that Class.

#### **13.3 Quorum**

The Trust Deed provides that:

- (a) subject to paragraphs (b) and (c) below, at any Meeting, two or more persons present holding voting certificates or being proxies and holding or representing, in the aggregate, not less than one-twentieth of the aggregate Principal Amount Outstanding of the Notes of the relevant Class for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than choosing a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of the meeting;
- (b) subject to paragraph (c) the quorum at any Meeting to pass an Extraordinary Resolution, other than regarding a Basic Terms Modification, will be two or more persons present holding voting certificates or being proxies and holding or representing not less than one-third of the aggregate Principal Amount Outstanding of the Notes of the relevant Class then outstanding or, at any adjourned such meeting, two or more persons being or representing Noteholders of the relevant Class, whatever the aggregate Principal Amount

Outstanding of the Notes of such Class then outstanding so held or represented; and

- (c) the quorum at any meeting for passing an Extraordinary Resolution to sanction a Basic Terms Modification will be two or more persons present holding voting certificates, or being proxies, and holding or representing, in the aggregate, not less than one half of the aggregate Principal Amount Outstanding of the Notes of the relevant Class then outstanding or, at any adjourned such meeting, one or more persons holding or representing in the aggregate not less than one-quarter of the Principal Amount Outstanding of the Notes of such Class then outstanding.

#### **13.4 Relationship between Classes**

- (a) No Extraordinary Resolution involving a Basic Terms Modification that is passed by the holders of one Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of the other Class of Notes at a separate meeting convened for that purpose (to the extent that there are Notes outstanding of each Class);
- (b) no Extraordinary Resolution to approve any matter other than a Basic Terms Modification that is passed by the holders of a Class of Notes shall be effective unless it is sanctioned by an Extraordinary Resolution of the holders of the other classes of Notes (to the extent that there are other classes of Notes outstanding), or the Note Trustee considers that the interests of the holders of those Notes would not be materially prejudiced by the implementation of such Extraordinary Resolution;
- (c) any resolution passed at a meeting of the Noteholders of any Class duly convened and held in accordance with the Trust Deed shall be binding upon all Noteholders of such Class, whether or not present at such meeting and whether or not voting and upon Couponholders of such Class; and
- (d) subject to paragraph (a) above, any resolution passed at a meeting of the holders of the Class A Notes then outstanding which is duly convened and held as aforesaid shall also be binding upon the holders of the Class B Notes and Couponholders relating thereto.

#### **13.5 Resolution in Writing**

An Extraordinary Resolution may be passed in writing if it is signed by or on behalf of not less than 90 per cent. in aggregate Principal Amount Outstanding of the Noteholders of a Class, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of that Class and shall be as valid, effective and binding as a resolution duly passed at a meeting held in accordance with these Conditions.

## **14. MODIFICATION, WAIVER AND SUBSTITUTION**

### **14.1 Modifications**

The Note Trustee may concur with the Issuer and any other relevant parties but without the consent or sanction of the Noteholders or the Couponholders in making any modification to these Conditions, the Trust Documents, the Notes or the other Issuer Transaction Documents to which it is a party or over which it has security, or may give its consent to any event, matter or thing (other than in the case of paragraphs (a), (c) or (d), below in respect of a Basic Terms Modification), if:

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

### **14.2 Waiver**

In addition the Note Trustee may (subject as provided in Condition 14.3(c) (Waiver – Restriction on Power to Waive) below), without the consent or sanction of the Noteholders, the Couponholders or the Issuer Secured Creditors and without prejudice to its rights in respect of any subsequent breach, Note Event of Default or potential Note Event of Default authorise or waive any proposed breach or breach by the Issuer or any other person of the covenants or provisions contained in the Trust Deed, the Notes or any other Issuer Transaction Document (including a Note Event of Default) or determine that any Note Event of Default or potential Note Event of Default shall not be treated as such, but only if and in so far as, in its opinion, the interests of the holders of the Most Senior Class of Notes then outstanding shall not be materially prejudiced thereby.

In connection with any substitution of principal debtor as is referred to in Condition 14.6 (Substitution of Principal Debtor), the Note Trustee may also agree, without the consent of the Noteholders, the Couponholders or any other Issuer Secured Creditor, to a change of the laws governing the Notes and/or the Issuer Transaction Documents to which the Note Trustee is a party or over which it has security, provided that such change would not, in the opinion of the Note Trustee, be materially prejudicial to the interests of the holders of the Most Senior Class of Notes then outstanding.

### **14.3 Restriction on Power to Waive**

The Note Trustee shall not exercise any powers conferred upon it by Condition 14.2 (Modification, Waiver and Substitution – Waiver) in contravention of any express direction by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding or of a request or direction in writing made by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding, but so that no such direction or request shall:

- (a) affect any authorisation, waiver or determination previously given or made;
- (b) authorise or waive any such proposed breach or breach relating to a Basic Terms Modification unless the holders of the other Class of Notes have authorised or waived any such proposed breach or breach pursuant to an Extraordinary Resolution of the holders of such other Class of Notes then outstanding; or
- (c) authorise or waive any such proposed breach or breach relating to the Liquidity Facility Agreement unless the Liquidity Facility Provider consents to such authorisation or waiver.

### **14.4 Notification**

Unless the Note Trustee otherwise agrees, the Issuer shall cause any such authorisation, waiver, modification or determination to be notified to the Noteholders in accordance with Condition 17 (Notices to Noteholders) and the other Issuer Secured Creditors in accordance with the Issuer Transaction Documents, as soon as practicable after it has been made.

### **14.5 Binding Nature**

Any authorisation, waiver, determination or modification referred to in Condition 14.1 (Modification, Waiver and Substitution – Modifications) or Condition 14.2 (Modification, Waiver and Substitution – Waiver) shall be binding on the Noteholders and the Couponholders.

### **14.6 Substitution of Principal Debtor**

If the Issuer at any time satisfies the Note Trustee (by way of legal opinions, directors certificates or otherwise) immediately prior to giving the notice referred to below that, as a result of a change in Tax law (or the application or official interpretation thereof), which change becomes effective on or after the Closing Date:

- (a) on the next Note Interest Payment Date, the Issuer would be required to deduct or withhold from any payment of principal or interest in respect of any Note (other than where the relevant holder or beneficial owner has some connection with the United Kingdom other than the holding of Notes) any amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by or on behalf of any United Kingdom Tax Authority; or
- (b) the Issuer would not be entitled to relief for United Kingdom tax purposes for any material amount which it is obliged to pay, or would be treated as

receiving for United Kingdom Tax purposes any material amount which it is not entitled to receive, in each case under the Issuer Transaction Documents to which it is a party; or

- (c) on the next Note Interest Payment Date, the Borrower would be required to deduct or withhold from any payment due to be made by it under the Issuer/Borrower Loan Agreement any amount for or on account of any Taxes imposed, levied, collected, withheld or assessed by or on behalf of any United Kingdom Tax Authority,

then the Issuer shall inform the Note Trustee accordingly and the Issuer shall, in order to avoid the relevant event described in (a) (b) or (c) above, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved by the Note Trustee as principal debtor under the Notes.

The Note Trustee shall agree, subject to such amendment of these Conditions and of any of the Issuer Transaction Documents and to such other conditions as the Note Trustee may require and subject to the terms of the Trust Deed, but without the consent of the Noteholders, or the Couponholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes and in respect of the other Issuer's obligations under the Issuer Transaction Documents, subject to the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets and/or contractual rights and obligations of the Issuer are transferred to such body corporate (being a single purpose vehicle)) and an undertaking to be bound by provisions corresponding to those set out in Condition 4 (Covenants) and the covenants applying to the Issuer under the Trust Deed.

## **15. INDEMNIFICATION AND EXONERATION OF THE NOTE TRUSTEE**

The Trust Deed and certain of the Issuer Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Issuer Security or directing the Borrower Security Trustee to enforce the Obligor Security or to obtain repayment of the Notes unless indemnified and/or secured to its satisfaction. The Note Trustee is entitled to be paid its remuneration, costs and expenses in priority to the claims of the Noteholder. The Note Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer Security or the Obligor Security, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of other parties to the Issuer Transaction Documents, clearing organisations or their operators or by intermediaries such as banks, depositories, warehousemen or other similar persons on behalf of the Note Trustee. The Note Trustee shall not have any responsibility for the administration, insurance, management, monitoring or operation of the Issuer Security or the Obligor Security.

The Trust Deed contains provisions pursuant to which the Note Trustee or any of its related companies is entitled, inter alia, (a) to enter into business transactions with the Issuer and/or any other person who is party to the Issuer Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary



or associated companies without accounting for any profit and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/or any of their subsidiary or associated companies, (b) to exercise and enforce its rights, comply with its obligations and perform its duties, under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Noteholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trust Deed also relieves the Note Trustee of liability for not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Issuer Deed of Charge. The Note Trustee has no responsibility in relation to the validity, sufficiency and enforceability of the Issuer Security or the Borrower Security. The Note Trustee will not be obliged to take any action which might result in its incurring personal liabilities unless indemnified and/or secured to its satisfaction or to supervise the performance by the Cash Manager, the Calculation and Reporting Agent, the Account Bank, the Paying Agents or any other person of their obligations under the Issuer Transaction Documents or the Borrower Transaction Documents and the Note Trustee shall assume, until it has written notice to the contrary, that all such persons are properly performing their duties, notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security. The Note Trustee will not be responsible for any deficiency which may arise because the Note Trustee is liable to tax in respect of all or any of the Issuer Security, the income therefrom or the proceeds thereof.

The Trust Deed and the Issuer Deed of Charge contain other provisions limiting the responsibility, duties and liability of the Note Trustee.

The ability of the Note Trustee to exercise any rights it has under the Issuer Transaction Documents in respect of the Notes are restricted by the terms of the Issuer Transaction Documents. Noteholders have no independent entitlement to exercise such rights.

In acting under the Agency Agreement and the Cash Management Agreement in connection with the Notes, the Agents and the Cash Manager respectively act as agents of the Issuer and (to the extent provided therein) the Note Trustee and do not assume any obligations towards, or relationship of agency or trust, for or with any of the Noteholders.

## **16. REPLACEMENT OF NOTES AND COUPONS**

If any Note Coupon or Talon is mutilated, defaced, lost or destroyed, it may be replaced at the specified office of any Paying Agent. Replacement of any mutilated, defaced, lost, stolen or destroyed Note Coupon or Talon will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require. Mutilated or defaced Notes Coupons or talons must be surrendered before new ones will be issued.

## **17. NOTICES TO NOTEHOLDERS**

Any notice to the Noteholders shall be validly given if published in the Financial Times and (for so long as the Notes are listed on the Stock Exchange and the rules of the Stock Exchange so require) the Irish Times or, if such newspaper shall cease to be published or timely publication therein shall not be practicable, in such English language newspaper or newspapers as the Note Trustee shall approve having a general circulation in Ireland. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required.

Notices to Noteholders may be given by delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear for communication by them to Noteholders provided that so long as the Notes are listed on the Stock Exchange, the Stock Exchange so agrees. Any notice delivered to Clearstream, Luxembourg and/or Euroclear as aforesaid shall be deemed to have been given on the day of such delivery.

A copy of each notice given in accordance with this Condition 17 (Notices to Noteholders) shall be provided to each of the Rating Agencies which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer, with prior written approval of the Note Trustee, to provide a credit rating in respect of the Notes) if they are then rating the Notes and, for so long as the Notes of any Class are admitted to listing on the Stock Exchange, to the Stock Exchange. For the avoidance of doubt, and unless the context otherwise requires, all references to rating and ratings in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies.

The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

Couponholders will be deemed for all purposes to have notices of the contents of any notice given to the Noteholders in accordance with this Condition.

## **18. RIGHTS OF THIRD PARTIES**

Neither this Note nor any Coupon confers any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note or any such Coupon, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

## 19. FURTHER NOTES, REPLACEMENT NOTES AND NEW NOTES

### 19.1 Further Notes

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time, on any date by the creation and issue of further notes ("**Further Notes**") carrying the same terms and conditions in all respects (or in all respects except for the first Interest Period) as, and so that the same shall be consolidated and form a single series and rank *pari passu* with, either Class of the Notes provided that:

- (a) the aggregate principal amount of all Further Notes to be issued on such date is not less than £3,000,000;
- (b) any Further Notes are assigned the same ratings as are then applicable to the Class of Notes with which they are to be consolidated and form a single series;
- (c) the ratings of each Class of Notes at that time outstanding are not adversely affected as a result of such issue of Further Notes and none of such ratings is lower than it was upon the date of issue of any of the Notes;
- (d) an amount equal to the aggregate principal amount of such Further Notes will be on-lent by the Issuer pursuant to the provisions of the Issuer/Borrower Loan Agreement; and
- (e) application will be made, in respect of the Further Notes, for such notes to be admitted to trading on the Stock Exchange and admitted to the Official List of the Stock Exchange or, if the Notes then issued are no longer admitted to that exchange, such exchange, if any, on which the Notes then issued are then admitted to.

### 19.2 Replacement Notes

The Issuer may, without the consent of the Noteholders, issue one or more Classes of replacement notes (the "**Replacement Notes**") to replace one or more Classes of the Notes, each Class of which shall have the same terms and conditions in all respects as the Class of Notes which it replaces (except for the rate of interest applicable to such Replacement Notes which, if not the same, must be lower than the rate of interest applicable to the Class of Notes being replaced and except that such Replacement Notes may have the benefit of a financial guarantee or similar arrangement (a "**Financial Guarantee**") and which may on issue be in an aggregate principal amount which is different from the aggregate Principal Amount Outstanding of the Class of Notes which it replaces, provided that the Class or Classes of Notes to be replaced are redeemed in full in accordance with Condition 7.4 (Optional Redemption in whole or in part) and the conditions to the issue of Further Notes as set out in Condition 19.1(a), (c), (d) and (e) are satisfied, mutatis mutandis, in respect of such issue of Replacement Notes and provided further that, for the purposes of this Condition 19.2(b), (i) where interest in respect of the Replacement Notes or the Class of Notes being replaced is payable on a floating rate basis, the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced shall be deemed to be the fixed rate payable by the Issuer under the interest rate exchange agreement entered into by the Issuer in relation to the Replacement Notes or, as the

case may be, the Class of Notes being replaced; and (ii) where the Replacement Notes or the Class of Notes being replaced have the benefit of a Financial Guarantee, the guarantee fee and any other amounts payable to the provider of the Financial Guarantee, other than any such amounts the payment of which is subordinated to payments in respect of all of the Notes, (expressed as a percentage rate per annum on the principal amount of the Replacement Notes or, as the case may be, the Class of Notes being replaced) shall be added to the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced.

### **19.3 New Notes**

The Issuer may, without the consent of the Noteholders, raise further funds, from time to time and on any date, by the creation and issue of new notes ("**New Notes**") which may rank *pari passu* with the Class A Notes or Class B Notes or after the Class A Notes but ahead of the Class B Notes or after the Class B Notes and which may have terms and conditions which differ from the Notes and which may have the benefit of a Financial Guarantee and which do not form a single series with the Class A Notes or the Class B Notes provided that the conditions to the issue of Further Notes as set out in Condition 19.1(a), (c), (d) and (e) are satisfied, *mutatis mutandis*, in respect of such issue of New Notes.

### **19.4 Supplemental trust deeds and security**

Any such Further Notes, Replacement Notes or New Notes will be constituted by a further deed or deeds supplemental to the Trust Deed and have the benefit of the security constituted by the Issuer Deed of Charge. Any of the Transaction Documents may be amended, and further Transaction Documents may be entered into, in connection with the issue of such Further Notes, Replacement Notes or New Notes and the claims of the parties to any amended Transaction Document or any further Transaction Document may rank ahead of, *pari passu* with, or behind, any Class or Classes of the Notes, provided, in each case, that the condition set out in Condition 19.1(c) is satisfied, *mutatis mutandis*.

## **20. POST-ENFORCEMENT CALL OPTION**

In the event that the Issuer Security is enforced and, after payment of all other claims ranking in priority to the Class A Notes and the Class B Notes, the remaining proceeds of such enforcement are insufficient to pay in full all principal and interest and other amounts whatsoever due in respect of the Class A Notes and the Class B Notes (as the case may be) and all other claims ranking *pari passu* therewith, then the Class A Noteholders and/or the Class B Noteholders (as the case may be) shall, upon the Issuer Security having been enforced and realised to the maximum possible extent as certified by the Note Trustee, at the request of Optionco or its assignee or transferee, transfer for the consideration of one penny per Note all (but not some only) of the Class A Notes and/or the Class B Notes to Optionco pursuant to the option granted to it by the Note Trustee (as agent for the Noteholders) pursuant to a post-enforcement call option agreement (the "**Post-Enforcement Call Option Agreement**") dated on or about the Closing Date, between, *inter alios*, the Issuer, Optionco and the Note Trustee. Immediately upon such transfer, no such former Noteholder shall have any further interest in the Class A Notes or the Class B Notes (as the case may be).

Each Noteholder acknowledges that the Note Trustee has the authority and the power to bind them in accordance with the terms and conditions set out in the Post Enforcement Call Option Agreement and each Noteholder, by subscribing for or purchasing the Notes in each relevant Class agrees to be so bound.

Notice of such determination will be given by the Note Trustee to the Noteholders in accordance with Condition 17. The consideration will be paid in the same manner as payment of principal under these Conditions.

**21. GOVERNING LAW**

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

## UNITED KINGDOM TAXATION

*The following is a summary of the Issuer's understanding of current United Kingdom tax law and H.M. Revenue and Customs' generally published practice as at the date of this Offering Circular relating to the United Kingdom withholding tax treatment of the Notes. The comments relate only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain Classes of Noteholders (such as dealers). The comments are made on the assumption that there will be no substitution of the Issuer pursuant to the Trust Deed or Condition 14.6 and do not consider the tax consequences of any such substitution.*

The following is a general guide and should be treated with appropriate caution. Noteholders who are in any doubt as to their tax position should consult their professional advisers.

### 1. Withholding tax

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

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax. In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to interest paid to a Noteholder, HMRC may (if the relevant procedural formalities have been complied with) issue a direction to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

### 2. Provision of Information

Noteholders who are individuals may wish to note that HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives

interest for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

### **EU Directive on the Taxation of Savings Income**

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

## SUBSCRIPTION AND SALE

The Lead Manager has, pursuant to a subscription agreement dated the date of this Offering Circular and entered into by, *inter alios*, the Lead Manager, the Issuer and the Obligors (the "**Subscription Agreement**"), agreed subject to certain conditions, to procure subscribers and failing which itself to subscribe and pay for:

- (a) the Class A Notes at an issue price of 100 per cent. of the principal amount thereof; and
- (b) the Class B Notes at an issue price of 100 per cent. of the principal amount thereof.

The Issuer has agreed to pay to the Lead Manager a management commission.

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

### **Austria**

No prospectus has been or will be approved and/or published pursuant to the Austrian Capital Markets Act (*Kapitalmarktgesetz*) as amended. Neither this document nor any other document connected therewith constitutes a prospectus according to the Austrian Capital Markets Act and neither this document nor any other document connected therewith may be distributed, passed on or disclosed to any person in Austria, save as specifically agreed with the Lead Manager. No steps may be taken that would constitute a public offering of the Notes in Austria and the offering of the Notes may not be advertised in Austria. The Lead Manager has represented and agreed that it will offer the Notes in Austria only in compliance with the provisions of the Capital Markets Act and all other laws and regulations in Austria applicable to the offer and sale of the Notes in Austria.

### **Belgium**

The offering circular and related documents are not intended to constitute a public offer in Belgium and may not be distributed publicly in Belgium. The placement is exclusively conducted under applicable private placement exceptions and therefore, the Belgian Commission for Banking, Finance and Insurance has not reviewed nor approved this (these) document(s) or commented as to its (their) accuracy or adequacy or recommended or endorsed the purchase of Notes.

The Lead Manager has represented and agreed that it will not:

- (a) offer for sale, sell or market in Belgium such Notes by means of a public offer within the meaning of Article 3 of the Law of 16 June 2006 on public offers of placement instruments and admissions to trading of placement instruments on regulated markets; or
- (b) sell Notes to any person qualifying as a consumer within the meaning of Article 1.7 of the Belgian law of 14 July 1991 on consumer protection and trade practices unless such sale is made in compliance with this law and its implementing regulation.



## Denmark

The Lead Manager has represented and agreed that the Notes have not been offered or sold and will not be offered, sold or delivered directly or indirectly in the Kingdom of Denmark by way of a public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 479 of 1 June 2006 as amended from time to time and any Orders issued thereunder.

## France

The Lead Manager and the Issuer has represented and agreed that:

- (a) it has only made and will only make an offer of Notes to the public (*appel public à l'épargne*) in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des marchés financiers* ("AMF"), on the date of such publication or), (ii) when a prospectus has been approved in another Member State of the European Economic Area which has implemented the EU Prospectus Directive 2003/71/EC, on the date of notification of such approval to the AMF, all in accordance with articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF, and ending at the latest on the date which is 12 months after the date of such publication; or
- (b) it has only made and will only make an offer of Notes to the public in France (*appel public à l'épargne*) and/or it has only required and will only require the admission to trading on Euronext Paris S.A. in circumstances which do not require the publication by the offeror of a prospectus pursuant to articles L.411-2 and L.412-1 of the French *Code monétaire et financier*; and
- (c) otherwise, it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Offering Circular which has not been submitted to the AMF or any other offering material relating to the Notes, and that such offers, sales and distributions have been and shall only be made in France to (i) providers of investment services relating to portfolio management for the account of third parties, and/or (ii) to qualified investors, in accordance with article L.411-2 II 4° of the French *Code monétaire et financier*, listed under articles D.411-1 and D.411.2 of the French *Code monétaire et financier* and/or (iii) to a restricted circle of less than 100 investors pursuant to articles L.411-2 II 4° and D.411-4 of the French *Code monétaire et financier*, in each case acting for their own account, within the meaning of and in compliance with articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French *Code monétaire et financier* and undertaking not to offer, market or distribute, sell or resell or otherwise retransfer, directly or indirectly, to the public in France, any Notes purchased as a result, other than in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French *Code monétaire et financier*.

## Ireland

The Lead Manager has represented and agreed that:

- (a) in respect of a local offer (within the meaning of section 38(1) of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland) of Notes in Ireland, it has complied and will comply with section 49 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland;
- (b) it has complied and will comply with all applicable provisions of the Investment Intermediaries Acts, 1995 to 2000 of Ireland (as amended) with respect to anything done by it in relation to the Notes or operating in, or otherwise involving, Ireland and, in the case of a Lead Manager acting under and within the terms of an authorisation to do so for the purposes of EU Council Directive 93/22/EEC of 10 May 1993 (as amended or extended), it has complied with any codes of conduct made under the Investment Intermediaries Acts 1995 to 2000, of Ireland (as amended) and, in the case of a Lead Manager acting within the terms of an authorisation granted to it for the purposes of EU Council Directive 2000/12/EC of 20 March 2000 (as amended or extended), it has complied with any codes of conduct or practice made under section 117(1) of the Central Bank Act, 1989 of Ireland (as amended); and
- (c) in connection with offers or sales of Notes, it has only issued or passed on, and will only issue or pass on, in Ireland, any document received by it in connection with the issue of the Notes to persons who are persons to whom the document may otherwise lawfully be issued or passed on.

## Italy

The offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Offering Circular or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July 1998, as amended; or
- (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the Financial Services Act) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Offering Circular or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1 September 1993 (the "**Banking Act**");
- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by

an appropriate notice to be filed with the Bank of Italy depending, inter alia, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and

- (c) in compliance with any other applicable laws and regulations.

Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the Prospectus Directive, such requirements shall be replaced by the applicable requirements under the Prospectus Directive.

### **Norway**

The Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell in the Kingdom of Norway any Notes other than in denominations of more than Euro 50,000. Thus the offering of the Notes is exempt from the requirement of drawing up and publishing a prospectus pursuant to Section 5(2) of the Securities Trading Act of 19 June 1997.

### **Sweden**

The Lead Manager has represented and agreed that it has not and will not, directly or indirectly, offer for subscription or purchase or issue invitations to subscribe for or buy or sell Notes or distribute any draft or definitive document in relation to any such offer, invitation or sale in the Kingdom of Sweden except in compliance with the relevant exemptions under the Swedish Financial Trading Act (*Lag (1991:980) om handel med finansiella instrument*).

### **The Netherlands**

The Lead Manager has represented and agreed that it has not and will not, directly or indirectly, offer or sell any Notes (including rights representing an interest in a Global Note) to individuals or legal entities anywhere in the world other than Professional Market Parties (as defined below) who acquire the Notes for their own account and that trade or invest in securities in the conduct of their profession or business; provided that each such Professional Market Party will have sent to each person to which it (on)sells the Notes (including rights representing an interest in any Global Note) a confirmation or other notice setting forth the above restrictions and stating that by purchasing any Note, the purchaser represents and agrees that it will send to any other person to whom it sells any such Note a notice containing substantially the same statement as is contained in this sentence.

"**Professional Market Parties**" are any of the following persons but no other person:

- (a) anyone who is subject to supervision of the Dutch Central Bank, the Dutch Authority for the Financial Markets or a supervisory authority from another member state and who is authorised to be active on the financial markets;
- (b) anyone who otherwise performs a regulated activity on the financial markets;
- (c) the State of the Netherlands, the Dutch Central Bank, a central government body, a central bank, Dutch regional and local governments and comparable foreign decentralised government bodies, international treaty organisations and supranational organisations;

- (d) a company or entity which, according to its last annual (consolidated) accounts, meets at least two of the following three criteria: an average number of employees during the financial year of at least 250, a total balance sheet of at least Euro 43,000,000 and an annual net turnover of at least Euro 50,000,000;
- (e) a company or entity with its statutory seat in the Netherlands other than a company as referred to in (d) above, which has requested the Dutch Authority for the Financial Markets to be treated as a professional market party;
- (f) a natural person, living in the Netherlands, who has requested the Dutch Authority for the Financial Markets to be treated as a professional market party, and who meets at least two of the following three criteria: the person has carried out transactions of a significant size on securities markets at an average frequency of, at least, ten per quarter over the previous four quarters; the size of the securities portfolio is at least Euro 500,000 and the person works or has worked for at least one year in the financial sector in a professional position which requires knowledge of securities investment;
- (g) a company or entity whose only purpose is investing in securities;
- (h) a company or entity whose purpose is to acquire assets and issue asset backed securities;
- (i) an enterprises or entity with total assets of at least €500,000,000 (or the equivalent thereof in another currency) as per the balance sheet as of the year end preceding the obtaining of the repayable funds;
- (j) an enterprise, entity or individual with net assets of at least €10,000,000 (or the equivalent thereof in another currency) as of the year end preceding the obtaining of the repayable funds who has been active in the financial markets on average twice a month over a period of at least two consecutive years preceding the obtaining of the repayable funds;
- (k) a subsidiary of any of the persons or entities referred to under (a)- (h) above, provided such subsidiaries are subject to consolidated supervision; and
- (l) an enterprise or entity which has a rating from a rating agency that, in the opinion of the Dutch Central Bank, has sufficient expertise, or which issues securities that have a rating from a rating agency that, in the opinion of the Dutch Central Bank, has sufficient expertise.

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

**"THIS NOTE (OR ANY INTEREST HEREIN) MAY NOT BE SOLD, TRANSFERRED OR DELIVERED TO INDIVIDUALS OR LEGAL ENTITIES WHO ARE ESTABLISHED, DOMICILED OR HAVE THEIR RESIDENCE IN THE NETHERLANDS ("DUTCH RESIDENTS") OTHER THAN TO PROFESSIONAL MARKET PARTIES ("PMPs") WITHIN THE MEANING OF THE EXEMPTION REGULATION UNDER THE DUTCH ACT ON THE SUPERVISION OF CREDIT INSTITUTIONS 1992 (AS AMENDED).**

EACH DUTCH RESIDENT BY PURCHASING THIS NOTE (OR ANY INTEREST HEREIN), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT IT IS A PMP AND IS ACQUIRING THIS NOTE (OR ANY INTEREST THEREIN) FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PMP.

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

### **United Kingdom**

The Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 ("**FSMA**"), with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### **United States**

The Notes have not been and will not be registered under the Securities Act of 1933 (the "**Securities Act**") or any US state securities law and may not be offered or sold or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. persons, except to certain persons in certain offshore transactions in reliance on Regulation S under the Securities Act or pursuant to any other exemption from the registration requirements of the Securities Act and applicable US state securities laws. The Lead Manager has represented and agreed that except as permitted by the Subscription Agreement it will not offer, sell or deliver, any Notes within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. The Lead Manager has represented and agreed that it will not offer and sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (for the purpose only of this section "Subscription and Sale", the "**Restricted Period**"), only in accordance with Regulation S under the Securities Act. The Lead Manager has agreed that it will have sent to each distributor, dealer or other person to which it sells Notes during the Restricted Period a confirmation or notice to substantially the following effect:

"The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the Securities Act), and may not be offered and sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering

and the closing date, except in either case in accordance with Regulation S (or Rule 144A if available) under the Securities Act. Terms used above have the meaning given to them by Regulation S."

The Lead Manager has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf have (i) engaged or will engage in any directed selling efforts with respect to the Notes, and it has complied and will comply with the offering restrictions requirement of Regulation S or (ii) made offers or sales of any security, or solicited offers to buy, or otherwise negotiated in respect of, any security, under circumstances that would require the registration of the Notes under the Securities Act.

Terms used above have the meanings given to them by Regulation S.

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

The Notes will have on their face a statement to the effect that any United States person who holds such Notes will be subject to limitations under the United States income tax laws including the limitations provided in Sections 165(j) and 1287(a) of the United States Internal Revenue Code.

## **General**

Other than the approval by the IFSRA of this document as a prospectus in accordance with the requirements of the Prospectus Directive and relevant implementing measures in Ireland, no action is being taken by the Issuer or the Lead Manager in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Offering Circular does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised.

Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material, advertisement, form of application or other material in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

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

## GENERAL INFORMATION

1. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on 16 October 2006.
2. It is expected that listing of the Notes on the Official List of the Stock Exchange will be granted on or about 17 October 2006, subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction. The estimated cost of the applications for admission to the Official List and admission to trading on the Stock Exchange's market for listed securities is €5,000.
3. On 9 October 2006 the Issuer was granted a certificate under section 117 of the Companies Act 1985 entitling it to do business and to borrow.
4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg as follows:

	<u>Common Code</u>	<u>ISIN</u>
<u>Class A</u>	XS0271600180	027160018
<u>Class B</u>	XS0271605148	027160514

5. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Notes are listed on the Official List of the Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified offices of the Paying Agent in Dublin. The Issuer does not publish interim accounts.
6. Save as disclosed herein the Issuer is not, and has not been, involved in any legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's financial position.
7. Since the date of its incorporation, the Issuer has not entered into any material contracts or arrangements other than as disclosed in this Offering Circular.
8. Colliers CRE (the "**Valuer**") and a member of Royal Institute of Chartered Surveyors has given and not withdrawn its written consent to the inclusion of its report and references to its name in the form and context in which they are included and has authorised the contents of that part of this Offering Circular for the purposes of section 45 of the Irish Investment Funds, Companies and Miscellaneous Provisions Act 2005.
9. Save as disclosed herein, since 15 September 2006 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or

prospects of the Issuer and (b) no significant change in the trading or financial position of the Issuer.

10. The Issuer Deed of Charge, the Trust Deed and the Borrower Security Agreement will provide that the Note Trustee and the Borrower Security Trustee (as applicable) may rely on reports or other information from professional advisors or other experts in accordance with the Issuer Deed of Charge, the Trust Deed and the Borrower Security Agreement (as applicable), whether or not such report or other information, engagement letter or other document entered into by the Note Trustee or the Borrower Security Trustee (as applicable) and the relevant professional advisor or expert in connection therewith contains any limit on the liability of that relevant professional advisor or expert.
11. Copies of the following documents may be physically inspected during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the offices of the Issuer at 35 Great St Helen's, London EC3A 6AP and at the specified offices of the Irish Paying Agent in Dublin from the date of this document until the Final Maturity Date:
  - (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the Valuation Report;
  - (c) the Issuer/Borrower Loan Agreement;
  - (d) the Intra-Group Loan Agreement;
  - (e) the Intra-Group Subordinated Loan Agreement;
  - (f) the Intercreditor Agreement;
  - (g) the Trust Deed;
  - (h) the Issuer Deed of Charge;
  - (i) the Borrower Security Agreement;
  - (j) the Mortgage of Shares;
  - (k) each Standard Security;
  - (l) each Scottish Rental Assignment;
  - (m) the Swap Agreement;
  - (n) the Liquidity Facility Agreement;
  - (o) the Account Bank Agreement;
  - (p) the Property Management Agreement;
  - (q) the Servicing Agreement;



- (r) the Post-Enforcement Call Option Agreement;
- (s) the Tax Deed of Covenant;
- (t) the Agency Agreement; and
- (u) the Cash Management Agreement.

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