



Opera Finance (Scottish Retail) plc

(incorporated with limited liability in England and Wales with registration number 5357505)

£430,000,000 Commercial Mortgage Backed Floating Rate Notes due 2014

Opera Finance (Scottish Retail) plc (the **Issuer**) will issue the £315,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2014 (the **Class A Notes**), the £60,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2014 (the **Class B Notes**), the £30,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2014 (the **Class C Notes**) and the £25,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2014 (the **Class D Notes**) and, together with the Class A Notes, the Class B Notes and the Class C Notes, the **Notes** on 22 April 2005 (or such later date as the Issuer may agree with the Arranger and the Lead Manager (each as defined below)) (the **Closing Date**).

The Issuer has applied to the Irish Stock Exchange Limited (the **Irish Stock Exchange**) for the Notes to be admitted to the Official List of the Irish Stock Exchange. A copy of this Offering Circular, which comprises approved listing particulars with regard to the Issuer and the Notes in accordance with requirements of the European Communities (Stock Exchange) Regulations, 1984 (as amended) of Ireland (the **Regulations**), has been delivered to the Registrar of Companies in Ireland in accordance with the Regulations.

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

Class	Initial Principal Amount	Margin (%)	Anticipated Ratings	
			Fitch	S&P
Class A	£315,000,000	0.17	AAA	AAA
Class B	£60,000,000	0.21	AA	AA
Class C	£30,000,000	0.38	A	A
Class D	£25,000,000	0.70	BBB	BBB

Interest on the Notes will be payable quarterly in arrear in pounds sterling on 31 January, 30 April, 31 July and 31 October in each year (subject to adjustment for non-business days) (each, an **Interest Payment Date**). The first Interest Payment Date will be the Interest Payment Date falling in July 2005. The interest rate applicable to each class of Notes from time to time will be determined by reference to the London interbank offered rate (LIBOR) for three month sterling deposits (or, in the case of the first Interest Period, the linear interpolation of three month and four month sterling deposits) (**LIBOR**, as determined in accordance with **Condition 5.3**) plus the relevant Margin. Each Margin will be as set out in the table above.

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

All Notes will be secured by the same security, subject to the priorities described in this Offering Circular. Notes of each class will rank *pari passu* with other Notes of the same class. Unless previously redeemed in full, the Notes of each class will mature on the Interest Payment Date falling in July 2014 (the **Final Maturity Date**). The Notes will be subject to mandatory redemption before such date in the specific circumstances and subject to the conditions more fully set out under "*Transaction Summary – Principal features of the Notes*".

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and are subject to U.S. tax law requirements. The Notes are being offered by the Issuer only to persons who are not U.S. Persons (as defined in Regulation S under the Securities Act (**Regulation S**)) in offshore transactions in reliance on Regulation S (or otherwise pursuant to transactions exempt from the registration requirements of the Securities Act) and in accordance with applicable laws.

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

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

EUROHYPO
Arranger

MORGAN STANLEY
Lead Manager

The date of this Offering Circular is 15 April 2005

THE NOTES AND INTEREST THEREON WILL BE OBLIGATIONS OF THE ISSUER ONLY. THE NOTES WILL NOT BE OBLIGATIONS OR RESPONSIBILITIES OF, NOR WILL THEY BE GUARANTEED BY, EUROHYPO AKTIENGESELLSCHAFT (**EUROHYPO**) (IN ANY CAPACITY), BY THE LEAD MANAGER, THE SERVICER, THE SPECIAL SERVICER, THE TRUSTEE, THE CORPORATE SERVICES PROVIDER, THE SHARE TRUSTEE, THE PAYING AGENTS, THE AGENT BANK, THE LIQUIDITY BANK OR THE ISSUER ACCOUNT BANK OR ANY COMPANY IN THE SAME GROUP OF COMPANIES AS ANY OF THEM.

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is or has been authorised to give any information or to make any representation in connection with the issue and sale of the Notes other than those contained in this Offering Circular and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, Eurohypo (in any capacity), the Lead Manager, the Servicer, the Special Servicer, the Trustee, the Corporate Services Provider, the Share Trustee, the Paying Agents, the Agent Bank, the Liquidity Bank or the Issuer Account Bank or any of their respective affiliates or advisors. Neither the delivery of this Offering Circular nor any sale, allotment or solicitation made in connection with the offering of the Notes shall, under any circumstances, create any implication or constitute a representation that there has been no change in the affairs of the Issuer or in any of the information contained herein since the date of this document or that the information contained in this document is correct as of any time subsequent to its date. Save for obligations of Eurohypo in its capacity as Servicer, Eurohypo expressly does not undertake to review the 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 Eurohypo or 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 Stock Exchange of this Offering Circular as listing particulars in accordance with the requirements of the Regulations and the delivery of a copy of this Offering Circular to the Registrar of Companies in Ireland for registration in accordance with the Regulations, no action has been or will be taken to permit a public offering of the Notes or the distribution of this Offering Circular in any jurisdiction. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular (or any part hereof) comes are required by the Issuer and the 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 or the Lead Manager or any of them to subscribe for or purchase any of the Notes.

All references in this document to **sterling, pounds, pounds sterling** or **£** are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland.

In connection with this issue, Morgan Stanley (in this capacity, the **Stabilising Manager**) or any person acting for it may over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. However, there is no obligation on the Stabilising Manager or any of its agents to do this. Such stabilising, if commenced, may be discontinued at any time, and must be brought to an end after a limited period.

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TRANSACTION SUMMARY

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

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

Executive Summary

On the Closing Date, Eurohypo (as Facility Agent and Loan Arranger) and the Issuer (as Original Lender) will enter into a secured term loan facility with The Scottish Retail Property Limited Partnership (the **Borrower**) acting by its general partner, Scottish Retail Property General Partner Limited pursuant to the terms of a credit agreement to be dated on or around the Closing Date (the **Credit Agreement**).

Under the Credit Agreement, the Issuer will make available to the Borrower a secured term loan facility (the **Facility**) in an aggregate principal amount of £430,000,000.

On the Closing Date, the Issuer (in its capacity as Original Lender) will advance the full amount of the Facility in four separate tranches, as follows:

- (a) a loan to be designated tranche A (the **Tranche A Loan**);
- (b) a loan to be designated tranche B (the **Tranche B Loan**);
- (c) a loan to be designated tranche C (the **Tranche C Loan**); and
- (d) a loan to be designated tranche D (the **Tranche D Loan**).

The Tranche A Loan, the Tranche B Loan, the Tranche C Loan and the Tranche D Loan are together referred to as the **Loans**.

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

The Issuer will use receipts of principal and interest in respect of the Loans, together with certain other funds available to it (as described elsewhere in this Offering Circular) to make payments of, among other things, principal and interest due in respect of the Notes.

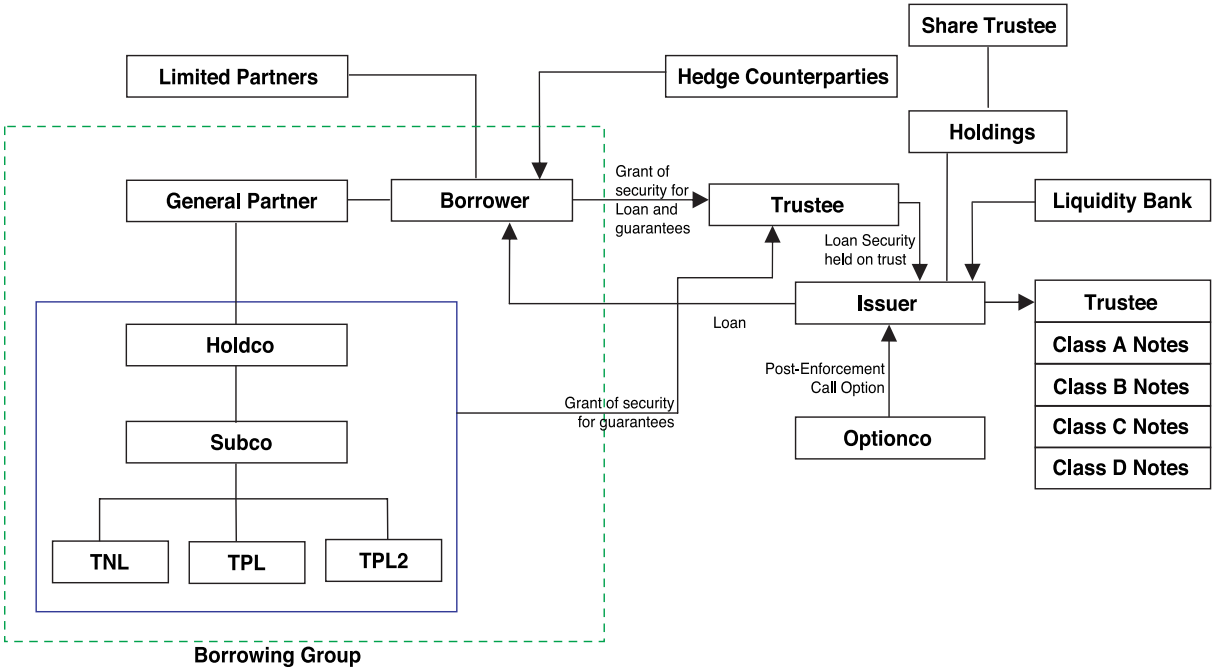
The obligations of the Borrower under the Credit Agreement and the other Finance Documents (as defined below) will be jointly and severally guaranteed on a limited recourse basis by each of the General Partner, Holdco, Subco and the Propertycos (each as defined below). The obligations of the Borrower under the Loans and the said guaranteed obligations will be secured by standard securities governed by Scots law (the **Standard Securities**) over the Properties, as defined below, and certain other security interests (including un-intimated assignments in security governed by Scots law over the rental cashflows from the Properties (the **Assignations in Security**) and floating charges) in favour of Eurohypo in its capacity as Facility Agent for the lender under the Credit Agreement (including the Issuer as Original Lender), with effect from the Closing Date. These security interests are, together with the Related Security (as defined below), referred to as the **Loan Security**. Eurohypo (in its capacity as Facility Agent) will hold the Loan Security on trust for the Issuer and any other lenders under the Facility (together with the Issuer, the **Lenders**).

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

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

As security for its obligations under (amongst other things) the Notes, the Issuer will grant fixed and floating security interests over all its assets and undertaking (which comprises, primarily, its rights in respect of the Loans and the Loan Security) in favour of the Trustee under a deed of charge to be entered on or about the Closing Date (the **Deed of Charge**). The Trustee will hold the benefit of this security on trust for itself, the Noteholders and the Other Issuer Secured Creditors (as defined below). The Deed of Charge will determine the priority of the claims of the Issuer Secured Creditors. See further “Credit Structure – 8. Cashflows” below.

Structure diagram



Obligors = Borrower and Guarantors
Guarantors = Holdco, Subco, TNL, TPL and TPL2

KEY TRANSACTION PARTIES

Issuer: Opera Finance (Scottish Retail) plc (the **Issuer**) is a public company incorporated in England and Wales with limited liability. The Issuer's company registration number is 5357505. The entire issued share capital of the Issuer is held by or on behalf of Holdings.

The Issuer will also act as original lender (the **Original Lender**) pursuant to the Credit Agreement.

Holdings: Opera Finance (Scottish Retail) Holdings Limited (**Holdings**) is a private limited company incorporated in England and Wales with limited liability. Holdings' registration number is 5357497. The entire issued share capital of Holdings is held by SFM Corporate Services Limited as Share Trustee.

Borrower: The Scottish Retail Property Limited Partnership (the **Borrower**) is a limited partnership established and registered with registration number LP477 under the Limited Partnerships (Jersey) Law 1994 in Jersey and formed pursuant to a limited partnership agreement amended and restated on 16 March 2004 (the **Partnership Agreement**) between, *inter alios*, the General Partner and the Limited Partners. Scottish Retail Property General Partner Limited (the **General Partner**) is a private limited company incorporated in Jersey with limited liability. The General Partner's registration number is 87232. As at the date hereof, the Limited Partners are Adamant Investment Corporation Limited, BLU Property Management Limited, City Wall (Holdings) Limited and Murrayfield Real Estate (Second Dundee) Limited (the **Limited Partners**).

Propertycos: Tartan Nominee Limited (**TNL**), is a private company incorporated in Jersey with limited liability under registered number 87238. Tartan Property Limited (**TPL**), is a private company incorporated in Jersey with limited liability under registered number 87262. Tartan Property (No. 2) Limited (**TPL2**), is a private company incorporated in Jersey with limited liability under registered number 87277. TNL, TPL and TPL2 are together referred to as the **Propertycos** and each a **Propertyco**. TNL only holds property on behalf of the Borrower. TPL2 (together with TNL, the **Property Trustees**) owns certain property on behalf of itself and certain property on behalf of the Borrower. TPL only holds property on its own behalf.

Holdco: Tartan Holding Company (No. 1) Limited (**Holdco**), is a private company incorporated in England and Wales with limited liability under registered number 5347667. The entire issued share capital in Holdco is held by the General Partner on behalf of the Borrower.

Subco: Tartan Holding Company (No. 2) Limited (**Subco**), is a private company incorporated in England and Wales with limited liability under registered number 5347670. The entire issued share capital in Subco is held by Holdco.

In this Offering Circular, the term **Guarantors** means Holdco, Subco and the Propertycos. The Borrower and the Guarantors are referred to as the **Obligors**.

Eurohypo: Eurohypo Aktiengesellschaft, London Branch, whose principal office is at 4th Floor, 90 Long Acre, London WC2E 9RA (**Eurohypo**) will act in various capacities in respect of the transactions described in this Offering Circular. These are:

- (a) as facility agent (the **Facility Agent**) under the Credit Agreement and trustee of the Loan Security for itself, the Issuer and the Hedge Counterparties (the **Loan Secured Creditors**);

- (b) as arranger under the Credit Agreement (the **Loan Arranger**);
- (c) as servicer (the **Servicer**) and, if required, special servicer (the **Special Servicer**), on behalf of the Issuer, of the Loans pursuant to the Servicing Agreement; and
- (d) as arranger in respect of the issue of the Notes (the **Arranger**).

Trustee:	The Bank of New York, acting through its offices at 48th Floor, One Canada Square, London E14 5AL, (the Trustee) will act under a note trust deed, to be entered into on or around the Closing Date (the Note Trust Deed) as trustee for the holders of the Notes and under the Deed of Charge as trustee for the Noteholders and the Other Issuer Secured Creditors.
Principal Paying Agent and Agent Bank:	The Bank of New York, acting through its offices at 48th Floor, One Canada Square, London E14 5AL, will be principal paying agent and agent bank under the Agency Agreement (in these capacities, the Principal Paying Agent and the Agent Bank).
Irish Paying Agent:	<p>AIB/BNY Fund Management (Ireland) Limited, acting through its offices at Guild House, P.O. Box 4935, Guild Street, IFSC, Dublin 1, Ireland, will act as paying agent in Ireland under the Agency Agreement (the Irish Paying Agent).</p> <p>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.</p>
Issuer Account Bank:	The Bank of New York, acting through its offices at 48th Floor, One Canada Square, London E14 5AL, will act as account bank for the Issuer under the Bank Agreement (in this capacity, the Issuer Account Bank).
Liquidity Bank:	HSBC Bank plc, acting through its offices at Level 24, 8 Canada Square, London E14 5HQ, will provide the Liquidity Facility to the Issuer under the Liquidity Facility Agreement (in this capacity, the Liquidity Bank).
Corporate Services Provider:	Structured Finance Management Limited (the Corporate Services Provider) will provide certain corporate administration and secretarial services to the Issuer and Holdings under the Corporate Services Agreement.
Share Trustee:	SFM Corporate Services Limited (the Share Trustee) will hold its interest in the shares of Holdings on trust for charitable purposes under the terms of a trust deed dated 30 March 2005 (the Share Trust Deed).
Optionco:	Opera Finance (Options) Limited (Optionco) is a private company incorporated in England and Wales with limited liability. Optionco's registration number is 5403223. The entire issued share capital of Optionco is held by Structured Finance Management Limited on trust for charitable purposes.
Hedge Counterparty:	HSBC Bank plc, acting through its offices at Level 24, 8 Canada Square, London E14 5HQ (in this capacity, the Hedge Counterparty) has entered into an interest rate swap agreement with the Borrower in respect of the Borrower's obligations under the Loans. In this document, the term 'Hedge Counterparty' includes any other party appointed from time to time pursuant to the Credit Agreement to act as a counterparty under the Hedging Arrangements in respect of the Loans and Hedge Counterparties should be construed accordingly.

KEY CHARACTERISTICS OF THE LOANS

- General:** The Loans will constitute obligations of the Borrower and will be secured by, among other things, first ranking Standard Securities over the Obligors' interest in the Properties, un-intimated assignments of the Obligors' interests in the rents payable under any occupational leases of the Properties, assignments of the Obligors' interests in certain insurance policies, Hedging Arrangements and first fixed or first priority security over certain of the bank accounts, together with floating charges over any remaining assets of each Obligor (other than the Client Monies Account) and first fixed or first priority security over the shares of each Obligor (other than the Borrower and the General Partner).
- Purpose of the Loans:** The proceeds of the Loans will be applied towards:
- (a) funding the return of contributions and/or making distributions to the Limited Partners;
 - (b) repayment of existing loans owing by any Obligors to any Limited Partner;
 - (c) payment of fees and expenses in connection with the issue of the Notes; and
 - (d) the general business purposes of the Obligors.
- Interest rate:** Each Loan will bear interest calculated as the sum of LIBOR (as defined under the Credit Agreement) plus a specified margin as follows:
- (a) in respect of the Tranche A Loan, 0.17 per cent. per annum;
 - (b) in respect of the Tranche B Loan, 0.21 per cent. per annum;
 - (c) in respect of the Tranche C Loan, 0.38 per cent. per annum; and
 - (d) in respect of the Tranche D Loan, 0.70 per cent. per annum.
- Interest payments:** Interest under the Loans will be paid quarterly in arrear on 31 January, 30 April, 31 July and 31 October in each year (subject to adjustment for non-business days) (each, a **Loan Interest Payment Date**) in respect of successive interest periods (each, a **Loan Interest Period**) and the first interest payment shall be in July 2005.
- Securitisation fee:** The Borrower will pay to the Issuer quarterly in arrear a facility fee for providing the Loans (the **Securitisation Fee**) in aggregate amount equal to 0.01 per cent. per annum of all amounts of interest and fees paid by the Borrower to the Issuer in the immediately preceding quarter in respect of the Loans.
- Facility fee:** The Borrower will also pay to the Issuer a facility fee for providing the Loans (the **Facility Fee**) which will be notified to the Borrower by the Servicer.
- Repayment of the Loan:** Unless the Borrower has previously repaid the Loans, it will be required to repay them in full on the Loan Interest Payment Date falling in July 2012 (the **Loan Maturity Date**).
- Optional prepayment:** The Borrower will be entitled to prepay the Loans on any Loan Interest Payment Date, in whole or in part (subject to a minimum of £5,000,000 and integral multiples of £1,000,000), upon giving not less than 14 days' prior written notice to the Facility Agent.

Representations and warranties:

The representations and warranties to be given by each Obligor under the Credit Agreement as of the date of the Credit Agreement and the date of drawdown, will include, among other things, warranties as follows:

- (a) due registration or incorporation and authorisation;
- (b) no event of default under the Credit Agreement (an **Event of Default**) is outstanding or would result from the making of the Loans;
- (c) legality, validity and enforceability of, among other things, the Credit Agreement and the Security Documents (as defined below);
- (d) ownership and title to the Properties, in each case free from any security interests (other than as permitted pursuant to the Finance Documents or those set out in the Security Documents);
- (e) first priority of the Loan Security;
- (f) the absence of material litigation, arbitration or administrative proceedings; and
- (g) the truthfulness and accuracy in all material respects of all written factual information supplied by the Borrower to the Loan Arranger, the Original Lender and the Facility Agent, among others, in connection with the Credit Agreement and related finance documents (the **Finance Documents**) and all factual information supplied by the Borrower to the Valuer for the purposes of the Valuation Report.

Loan Security:

The Obligors will enter into a security agreement with Eurohypo (as Facility Agent) dated on or around the Closing Date (the **Security Agreement**) under which each Obligor will grant security over all of its assets (save as set out therein) in favour of the Facility Agent as security for the Borrower's obligations under the Loans and other liabilities owing from time to time to the Lender, the Hedge Counterparties, the Loan Arranger and the Facility Agent (together, the **Borrower Secured Creditors**).

The Propertycos will also grant the Standard Securities constituting first ranking security over the Properties, the Assignations in Security, and certain other security interests, including fixed security over each Obligor's interests in any insurance policies, Hedging Arrangements and certain of its bank accounts, together with a floating charge over all of each Obligor's assets (other than any Client Monies Account). Pursuant to the Security Agreement, the Borrower will also assign in security, its rights under the trust deeds (the **Trust Deeds**) relating to (i) the Properties held by the relevant Property Trustees on behalf of the Borrower (subject to and with the benefit of any Lease Document), (ii) certain income deriving from the Properties, (iii) any disposal proceeds relating to these Properties and (iv) all assets arising from or representing the foregoing, derived from the foregoing or created or acquired by a Property Trustee in its capacity as Property Trustee (together, the **Trust Property**).

The security and covenant package for the Loans will also include the benefit of a subordination agreement dated on or around the Closing Date (the **Subordination Agreement**) under which all debt of the Borrower to each Limited Partner (together, the **Subordinated Creditors**) will be subordinated to the debt owing to the Issuer.

Subco has, in addition, granted first priority security interests over all the shares in each of the Propertycos pursuant to the Mortgage of Shares (the **Mortgage of Shares**).

The obligations of the Borrower under the Credit Agreement have been jointly and severally guaranteed by the Guarantors. Recourse under the Guarantee is limited to the proceeds of the realisation of the security granted under the Security Documents (as defined below).

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

The Security Agreement, the Standard Securities, the Assignations in Security, the Mortgage of Shares and any other document evidencing or creating security over any asset to secure any obligation of any Obligor to a Finance Party under the Finance Documents are known collectively as the **Security Documents**.

Further advances:

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

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

No such additional lending under the Loan Facility will be permitted unless the Issuer consents to such additional lending and the Rating Agencies confirm that the ratings as at the Closing Date, of each class of Notes will not be downgraded, withdrawn or qualified.

Insurance:

The Borrower will undertake, pursuant to the Credit Agreement, to maintain insurance on the Properties on a full reinstatement value basis together with a further amount equal to not less than 12.5 per cent. of the full reinstatement cost (in an amount and form acceptable to the Facility Agent acting reasonably) and not less than three years' loss of rent on all occupational leases (other than minor occupational leases) together with third party liability insurance and insurance against acts of terrorism. The Borrower will also undertake to procure that the interest of the Facility Agent is noted on all relevant insurance policies (other than third party liability insurance) and to use reasonable endeavours that the Facility Agent's interest is noted on any insurance policies maintained by any tenant or superior landlord at the Properties.

The Borrower shall not be obliged to maintain such insurance to the extent that:

- (a) such insurance is not commercially available in the UK or European insurance markets;

- (b) the cost of such insurance is so great that, in the reasonable opinion of the General Partner, other regional shopping centres are not obtaining or maintaining such insurance at the time;
- (c) such insurance is not available; or
- (d) the Facility Agent (acting reasonably) agrees that such insurance need not be obtained or maintained.

All insurances required under the Credit Agreement must be (in respect of those insurances in place as at the Closing Date or any renewal thereof) with Royal and SunAlliance Insurance Plc or an insurance company or underwriter which has the ratings referred to below or (in respect of any replacement insurance) with an insurance company or underwriter (or a group of insurance companies or underwriters) that:

- (a) has a long term credit rating or a financial strength rating (or, in the case of a group of insurance companies or underwriters, the weighted average thereof) of at least “A” (or its equivalent) by Fitch and “A” (or its equivalent) by S&P; or
- (b) to the extent no insurance company or underwriter has the rating referred to in paragraph (a) above, is otherwise acceptable to the Facility Agent (acting reasonably).

KEY CHARACTERISTICS OF THE PROPERTIES

Properties:

The properties upon which the Loans will be secured comprises the land and buildings of the East Kilbride Shopping Centre, East Kilbride, Scotland (**East Kilbride**) and the land and buildings of the Bon Accord and St. Nicholas Shopping Centre, Aberdeen, Scotland (**Aberdeen**, and, together with East Kilbride, the **Properties**). The Properties each comprise the dominant retail offering in their respective catchment areas.

East Kilbride is made up of six shopping areas; Centre West, The Plaza, Princes Mall, Princes Square, Southgate and Olympia. The property is held on heritable title, except for Centre West which is held on a long lease from South Lanarkshire Council for a term expiring on 2 April 2100 (with a tenant option to extend for a further 99 years). East Kilbride provides approximately one million square feet of net lettable retail area, providing virtually all of the shopping provision in the East Kilbride town centre.

East Kilbride is located in the heart of west-central Scotland 19 km (12 miles) south-east of Glasgow. It has a resident population of 73,796 (2001 Census) which forms part of the South Lanarkshire area (pop 302,000), including the surrounding villages and settlements. A direct dual carriageway road link is provided to the motorway network including the M74 to the south and the M8 to Edinburgh and the east. Glasgow city centre is approximately 25 minutes drive from the town with Glasgow International Airport and Edinburgh Airport within thirty minutes and forty minutes drive time respectively. In addition East Kilbride bus station is located at the entrance to Princes Mall.

East Kilbride is a well-established centre. The main anchors are Debenhams, Bhs, Primark, Boots, Morrisons (trading as Safeway) and WH Smith which have a weighted average lease expiry of June 2032. Analysis of individual tenants by Knight Frank LLP indicates that some 92 per cent. of current gross income (excluding car park and turnover related income) is generated from national multiple retailers and banks. No single retail group accounts for more than 3.75 per cent. of gross contracted rental income. The ten largest tenants account for approximately 22.4 per cent. of gross contracted rental income. The largest tenant, the UK Government, accounts for 3.7 per cent. of gross contracted rental income.

As per the valuation carried out by Knight Frank LLP (the Valuer) on 31 December 2004 (the Valuation), net rent (inclusive of reversionary income from outstanding rent reviews) in respect of East Kilbride was £20,902,660 per annum.

The estimated net annual rent of East Kilbride as at 31 December 2004 was £26 million per annum.

Aberdeen is made up of the Bon Accord and St. Nicholas Shopping Centre. Bon Accord is held on long lease under a headlease from the City of Aberdeen Council expiring on 11 November 2138. St. Nicholas is principally held under a headlease from the City of Aberdeen Council expiring on 11 November 2138. The Centre provides approximately 369,000 square feet of lettable retail area.

Aberdeen is Scotland's third largest city and is the administrative capital and primary service centre for the Grampian region and the north-east of Scotland. Aberdeen has a resident population of approximately 306,000 people and a catchment population estimated to be approaching 500,000. The city is situated on the north-east coast of Scotland approximately 193 km (120 miles) north of Edinburgh and 241 km (150 miles) north-east of Glasgow.

The A90 trunk road provides access south to Dundee, approximately 107 km (66 miles) distant and to the motorway network of central Scotland. Pedestrian access to the Bon Accord and St. Nicholas Centre is provided at the junction of Schoolhill and Upper Kirkgate at the southern end of the centre, and from George Street at the northern end. In addition, the centre is linked to John Lewis (not within the ownership) at the northern boundary of the Centre via a covered bridge link at first floor level.

The Bon Accord and St. Nicholas Centre represents the dominant force in terms of current retail offer within the City and benefits from the strength of being positioned between John Lewis and Marks & Spencer (which do not form part of the demise). Analysis of Knight Frank LLP estimate that some 98 per cent. of current gross income (excluding car park and turnover income) is generated from national multiple retailers and banks. No single retail group accounts for more than 9.1 per cent. gross contracted rental income. The ten largest tenants account for approximately 35.9 per cent. of gross contracted rental income. The largest tenant, the Arcadia Group trading as Wallis, Burton, Miss Selfridge and Evans, accounts for 9.1 per cent. of gross contracted rental income.

As per the valuation carried out by Knight Frank LLP (the Valuer) on 31 December 2004 (the Valuation), net rent (inclusive of reversionary income from outstanding rent reviews) in respect of Aberdeen was £11,913,486 per annum.

The estimated net annual rent of Aberdeen as at 31 December 2004 was £14 million per annum.

Valuation:

The Valuer has determined the market value of the heritable and leasehold interests in the Properties, subject to the existing tenancies, to be, as at 31 December 2004 (the **Valuation Date**) £600,150,000. On the basis of the Valuation Report, the loan to value ratio of the Loans (assuming the Loans have already been made) on the date of this document (expressed as a percentage) is 71.7 per cent.

See “*Valuation Report*” below.

PRINCIPAL FEATURES OF THE NOTES

The Notes will comprise:

Notes:

- (a) £315,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2014;
- (b) £60,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2014;
- (c) £30,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2014; and
- (d) £25,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2014.

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

Status and priority:

Payments of interest in respect of the Class A Notes will rank ahead of payments of interest in respect of the Class B Notes, the Class C Notes and the Class D Notes. Payments of interest in respect of the Class B Notes will rank ahead of payments of interest in respect of the Class C Notes and Class D Notes. Payments of interest in respect of the Class C Notes will rank ahead of payments of interest in respect of the Class D Notes.

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

Prior to enforcement of the Issuer Security, payments of interest in respect of each class of Notes will rank ahead of all payments of principal in respect of each class of Notes.

See “*Credit Structure – 8. Cashflows*” below.

Form of the Notes:

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

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

Class	Fitch	S&P
Class A Notes	AAA	AAA
Class B Notes	AA	AA
Class C Notes	A	A
Class D Notes	BBB	BBB

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 Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange.

Liquidity Facility: On or before the Closing Date, the Issuer and the Liquidity Bank, among others, will enter into an agreement (the **Liquidity Facility Agreement**) pursuant to which the Liquidity Bank will make available to the Issuer a facility which the Issuer can draw on to fund certain shortfalls in available income (including amounts available to pay interest on the Notes) from time to time (as described further under “*Credit Structure – Liquidity Facility Agreement*” below).

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

Mandatory redemption in whole for taxation and other reasons: The Issuer will, in accordance with **Condition 6.2**, upon giving not more than 60 and not less than 30 days’ notice to the Noteholders and provided that it has satisfied the Trustee that it has sufficient funds available to it, redeem all, but not some only, of the Notes at their then Principal Amount Outstanding, together with accrued interest, on any Interest Payment Date on or after the date on which any deduction or withholding for or on account of any tax is imposed in respect of any payment under the Notes or in respect of any payment by the Borrower under any Loan or after the date on which it becomes unlawful for the Issuer to make, lend or allow an advance under the Loan to remain outstanding.

Mandatory redemption in whole or in part: If the Issuer receives a notice from the Borrower pursuant to the Credit Agreement that the Borrower intends to prepay all or part of any Loan or Loans on or before the next Interest Payment Date, the Issuer will, in accordance with **Condition 6.3**, upon giving not more than 60 and not less than 30 days’ notice to the Noteholders and provided that it has satisfied the Trustee that it has or will have sufficient funds available to it, redeem some or all of a specified Principal Amount Outstanding of the Notes equal to the principal amount of the relevant Loan or Loans being prepaid at a price equal to their Principal Amount Outstanding together with accrued interest.

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

If the Issuer makes a partial redemption of the Notes pursuant to **Condition 6.3(a)** as a result of prepayment by the Borrower, then the amounts of any such redemption will be applied to redeem the class of Note corresponding to the Loan tranche prepaid.

Post Enforcement Call Option: The Issuer will enter into a post enforcement call option agreement with OptionCo and the Trustee dated on or before the Closing Date (the **Post Enforcement Call Option Agreement**) under the terms of which, upon exercise of the Post Enforcement Call Option by OptionCo, following the enforcement of the Issuer Security, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, will be required to transfer to OptionCo all of the Class B Notes, the Class C Notes and the Class D Notes. The Class B Noteholders, the Class C Noteholders and the Class D Noteholders will be bound by the terms of the Notes to transfer their Note holdings to OptionCo. The Class B Noteholders, the Class C Noteholders and the Class D Noteholders will be paid a nominal amount only for the transfer.

No purchase of Notes by the Issuer: The Issuer will not be permitted to purchase Notes.

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

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

Pursuant to the Pre-Enforcement Priority of Payments and the Post Enforcement Pre-Acceleration Priority of Payment (as applicable), interest on junior classes of Notes will be payable prior to any mandatory or optional principal amortisation. Any issue of Further Notes, New Notes or Replacement Notes will be subject to the satisfaction of certain conditions precedent. These will include a condition that the Rating Agencies confirm that the ratings as at the Closing Date, of each class of Notes already in issue will not be downgraded, withdrawn or qualified. See further **Condition 16** under “*Terms and Conditions of the Notes*” below.

Interest rates: Each class of Notes will initially bear interest calculated as the sum of LIBOR (as determined in accordance with **Condition 5.3**) plus the relevant Margin.

The interest rate margin applicable to each class of Notes will be as follows (each, a **Margin**):

Class	Margin (%)
Class A Notes	0.17
Class B Notes	0.21
Class C Notes	0.38
Class D Notes	0.70

Interest payments: Interest will be payable on the Notes quarterly in arrear on 31 January, 30 April, 31 July and 31 October in each year, unless the same is not a Business Day, in which case the following Business Day in the same calendar month (if there is one) or the

previous Business Day (each, an **Interest Payment Date**). **Business Day** means a day (other than Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business and settle payments in London.

Interest Periods:

The first Interest Period will run from (and including) the Closing Date to (but excluding) the first Interest Payment Date and subsequent Interest Periods will run from (and including) an Interest Payment Date to (but excluding) the next Interest Payment Date. The Noteholders will be entitled to receive a payment of interest only in so far as payment is in accordance with the Priorities of Payments (as described in “*Credit Structure – 8. Cashflows*” below). Any interest not paid on the Notes when due will accrue interest and will be paid only to the extent that there are funds available on a subsequent Interest Payment Date in accordance with the Priorities of Payments (as described in “*Credit Structure – 8. Cashflows*” below).

Issue prices:

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

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

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

The Class D 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 Trustee and the Other Issuer Secured Creditors and dated on or before the Closing Date (the **Deed of Charge**).

The Trustee will hold the security granted under the Deed of Charge on trust for itself, any receiver and any other appointee of the Trustee, the Noteholders, the Receiptholders, the Couponholders, the Paying Agents, the Agent Bank, the Corporate Services Provider, the Servicer, the Special Servicer, the Liquidity Bank, the Loan Arranger and the Issuer Account Bank (together, the **Issuer Secured Creditor**).

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

- (a) a first ranking assignment of its rights in respect of the Loans;
- (b) a first ranking assignment of its interest in the Loan Security;
- (c) a first ranking assignment of its rights under the other Transaction Documents to which it is a party;
- (d) a first fixed charge of its rights to all moneys standing to the credit of the Issuer Accounts;

- (e) a first fixed charge of its interest in any Eligible Investments made by it or on its behalf; and
- (f) a first floating charge over the whole of its undertaking and of its property and assets not already subject to fixed security (but extending over all of its property and assets situated in or governed by the laws of Scotland).

The security interests referred to in **paragraphs (a) to (e)** above may take effect as floating security and thus rank behind claims of certain preferential and other creditors. Prior to enforcement of the Issuer Security, payments in respect of each class of Notes will rank in accordance with the Pre-Enforcement Priority of Payments (as described in “*Credit Structure – 8. Cashflows*”) below. Upon enforcement of the Issuer Security, payments in respect of each class of Notes will rank in accordance with the Post-Enforcement Pre-Acceleration Priority of Payments (as described in “*Credit Structure – 8. Cashflows*” below). Upon acceleration of the Notes, payments in respect of each class of Notes will rank in accordance with the Post-Enforcement Priority of Payments (as described in “*Credit Structure – 8. Cashflows*” below).

Transfer restrictions:

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

Governing law:

The Notes and the other Transaction Documents will be governed by English law, other than the Standard Securities, the Assignations in Security and certain other aspects of the Transaction Documents relating to the Properties which will be governed by Scots law and the Mortgage of Shares which will be governed by Jersey law.

RISK FACTORS

Set out in this section is a summary of certain issues of which prospective Noteholders should be aware before making a decision whether or not to invest in Notes of any class. This summary is not intended to be exhaustive. Therefore, prospective Noteholders should read also the detailed information set out elsewhere in this Offering Circular and form their own views before making any investment decision.

(A) Considerations relating to the Notes

Liability under the Notes

The Issuer is the only entity which has obligations to pay principal, premium (if any) and interest in respect of the Notes. The Notes will not be obligations or responsibilities of, or guaranteed by, any other entity, including (but not limited to) Eurohypo (in any capacity), the Lead Manager, the Trustee, the Share Trustee, the Liquidity Bank, the Servicer, the Special Servicer, the Paying Agents, the Agent Bank, the Corporate Services Provider and the Issuer Account Bank, or by any entity affiliated to any of the foregoing.

Limited resources of the Issuer

The Notes will be full recourse obligations of the Issuer. However, the assets of the Issuer will themselves be limited. The ability of the Issuer to meet its obligations under the Notes will be dependent primarily upon the receipt by it of principal, premium (if any) and interest from the Borrower under the Loans (see further “*Considerations relating to the Loans and the Properties*” below) and the receipt of funds (if available to be drawn) under the Liquidity Facility Agreement. Other than the foregoing, and any interest earned by the Issuer in respect of its bank accounts, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes.

Upon enforcement of the Issuer Security for the Notes, the Trustee or any receiver will, in practice, have recourse only to the Loans and the Issuer’s interest in the Loan Security, and to any other assets of the Issuer then in existence as described in this document. It should be noted that, in certain limited circumstances, the Issuer will not be able to make any further drawings under the Liquidity Facility Agreement.

Ratings of the Notes

The ratings assigned to each class of the Notes by the Rating Agencies are based on the Loans, the Loan Security, the Properties and other relevant structural features of the transaction, including, among other things, the short term unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Bank and the Hedge Counterparties. These ratings reflect only the views of the Rating Agencies.

The ratings address the likelihood of full and timely receipt by any of the Noteholders of interest on the Notes and the likelihood of receipt by any Noteholder of principal of the Notes by the Final Maturity Date. There can be no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by any of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon the market value and/or liquidity of the Notes of any class.

Credit rating agencies other than Fitch and S&P could seek to rate the Notes (or any class of them) without having been requested to do so by the Issuer, and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by Fitch and S&P, those unsolicited ratings could have an adverse effect on the market value and/or liquidity of the Notes of any class. In this Offering Circular, all references to ratings in this Offering Circular are to ratings assigned by the Rating Agencies (namely Fitch and S&P).

Ratings confirmations

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

Notes of the relevant class would or, as the case may be, would not, be downgraded, withdrawn or qualified as a result of such event, matter or thing.

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

Absence of secondary market; limited liquidity

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List of the Irish Stock Exchange. There is not, at present, a secondary market for the Notes. There can be no assurance that a secondary market in the Notes will develop or, if it does develop, that it will provide Noteholders with liquidity of investment, or that it will continue for the life of the Notes. In addition, the market value of certain of the Notes may fluctuate with changes in prevailing rates of interest. Consequently, any sale of Notes by Noteholders in any secondary market which may develop may be at a discount to the original purchase price of those Notes.

Availability of Liquidity Facility

Under the Liquidity Facility Agreement, the Liquidity Bank will, under and in accordance with the terms of the Liquidity Facility Agreement, make available to the Issuer the £23 million Liquidity Facility to enable the Issuer to make payments of interest in respect of the Notes. The Liquidity Facility will not be available to the Issuer to enable it to make any payment of principal or premium (if any) payable in respect of the Notes of any class.

The initial Liquidity Facility Agreement will expire 364 days after the Closing Date, although it is extendable. The Liquidity Bank is not obliged to extend or renew the Liquidity Facility at its expiry, but if it does not renew or extend the Liquidity Facility on request then the Issuer may, subject to certain terms, be required to make a Liquidity Stand-by Drawing and place the proceeds of that drawing on deposit in the Liquidity Stand-by Account. See further “*Credit Structure – 7. Liquidity Facility*” below.

Subordination of Class B Notes, Class C Notes and Class D Notes

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

If, on any Interest Payment Date when there are Class A Notes outstanding, the Issuer has insufficient funds to make payment in full of interest due on the Class B Notes and/or the Class C Notes and/or the Class D Notes, then the Issuer will be entitled (under **Condition 5.8**) to defer payment of that amount to the extent of the insufficiency until the following Interest Payment Date. In these circumstances there will be no Note Event of Default. If there are no Class A Notes then outstanding, the Issuer will be entitled to defer payments of interest in respect of the Class B Notes, Class C Notes and Class D Notes. If there are no Class B Notes then outstanding, the Issuer will be entitled to defer payments of interest in respect of the Class C Notes and Class D Notes. If there are no Class C Notes then outstanding, the Issuer will be entitled to defer payments of interest in respect of the Class D Notes only.

The terms on which the Issuer Security will be held will provide that, upon enforcement, certain payments (including all amounts payable to any receiver and the Trustee, all amounts due to the Servicer, the Special Servicer, the Corporate Services Provider, the Issuer Account Bank, the Paying Agents, the Agent Bank and all payments due to the Liquidity Bank under the Liquidity Facility (other than in respect of amounts specified at **paragraph (xv)** of “*Credit Structure – 8. Cashflows - Payments Paid out of the Issuer Transaction Account Post-Enforcement of the Notes*” below)) will be made in priority to payments in respect of interest and principal on the Class A Notes. Upon enforcement of the Issuer Security, all amounts owing to the Class A Noteholders will rank higher in priority to all amounts owing to the Class B Noteholders, all amounts owing to the Class B Noteholders will rank higher in

priority to all amounts owing to the Class C Noteholders, and all amounts owing to the Class C Noteholders will rank higher in priority to all amounts owing to the Class D Noteholders.

Conflict of interests between classes of Noteholders

The Trustee will be required, in performing its duties as trustee under the Note Trust Deed and the Deed of Charge, to have regard to the interests of all the Noteholders together. However, if (in the sole opinion of the Trustee) there is conflict between the interests of the holders of one or more classes of Notes and the interests of the holders of one or more other classes of Notes, then the Trustee will be required in certain circumstances to have regard only to the interests of the holders of the most senior class of Notes then outstanding. For these purposes, the interests of individual Noteholders will be disregarded and the Trustee will determine interests viewing the holders of any particular class of Notes as a whole.

Withholding or deduction under the Notes

In the event that a withholding or deduction for or on account of any taxes are imposed by law, or otherwise applicable, in respect of amounts payable under the Notes, neither the Issuer nor any Paying Agent or any other entity is obliged to gross up or otherwise compensate Noteholders for the lesser amounts which the Noteholders will receive as a result of the imposition of such withholding or deduction. The imposition of such withholding or deduction would oblige the Issuer to redeem the Notes at their then Principal Amount Outstanding (plus accrued interest but excluding any premium) thereby shortening the average lives of the Notes.

Yield and prepayment considerations

The yield to maturity of the Notes of each class will depend on, among other things, the amount and timing of receipt by the Issuer of amounts of principal in respect of the Loans (and payment thereof to Noteholders) and the purchase price paid by the holders of the Notes. Such yield may be adversely affected by one or more prepayments in respect of the Loans (and payment thereof to Noteholders).

The Borrower will have the option to prepay the Loans or any of them at any time without incurring any prepayment charge. If the Borrower prepays a Loan in whole or in part, the Issuer will effect a redemption of the corresponding Class or Classes of Notes (under **Condition 6.3(a)**) in a corresponding principal amount to the Loan or Loans prepaid.

Post Enforcement Call Option

Pursuant to the Post Enforcement Call Option Agreement the Trustee will, on the Closing Date, grant to OptionCo an option (the **Post Enforcement Call Option**) to acquire all (but not some only) of the Class B Notes, the Class C Notes and the Class D Notes (plus accrued interest thereon) for a consideration of one penny per Note outstanding following any enforcement of the Issuer Security and after (i) the date on which the Trustee determines that the proceeds of such enforcement are insufficient to pay any further amounts due in respect of the Class B Notes, the Class C Notes and the Class D Notes, (ii) payment of all other claims ranking higher in priority to the Class B Notes, the Class C Notes and the Class D Notes and *pro rata* payment of all claims ranking in equal priority to the Class B Notes, the Class C Notes and the Class D Notes and (iii) the application of any such proceeds to the Class B Notes, the Class C Notes and the Class D Notes. The Class B Noteholders, the Class C Noteholders and the Class D Noteholders will be bound by the terms of the Post Enforcement Call Option granted to OptionCo pursuant to the terms and conditions of the Post Enforcement Call Option Agreement, the Note Trust Deed and **Condition 6.7** and the Trustee will be irrevocably authorised to enter into the Post Enforcement Call Option Agreement with the Issuer and OptionCo on behalf of the Class B Noteholders, the Class C Noteholders and the Class D Noteholders on the Closing Date.

(B) Considerations relating to the Loans and the Properties

Prepayment of the Loan

The Borrower is obliged, where all or any part of a Property has been compulsorily acquired and the compensation received in respect of that compulsory order is in excess of £1,000,000 (such compensation, rounded down to the nearest £50,000, to be paid into the Disposals Proceeds and Deposit Account), to prepay the Loans or any of them in whole or in part prior to the Loan Maturity Date. Such event is beyond the control of the Borrower, the Issuer and the PropertyCos. In addition, the Borrower is permitted under the Credit Agreement (at its option, but subject to certain conditions) to prepay all or part of a Loan on a Loan Interest Payment Date on 14 days' prior notice using, for example

the disposal proceeds resulting from the disposal of all or part of a Property or the insurance proceeds where a Property has been destroyed or damaged and reinstatement works are not required by the relevant insurance company, the lease documents or by law. Any such prepayment may result in the Notes being prepaid earlier than anticipated.

Refinancing risk

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

Security over Accounts

Although Eurohypo (as the Facility Agent) will have sole signing rights in respect of certain Accounts (including, in particular, the Debt Service Account and the Disposal Proceeds and Deposit Account), the Borrower and/or the Propertycos (or one or more of them) will have signing rights in respect of other Accounts prior to an Event of Default. The Credit Agreement will contain provisions requiring the funds in certain of the Borrower’s Accounts (including, in particular, the Rent Account) to be used for specified purposes (see further “*Credit Structure – 5. Accounts*” below). However, because of the fact that the Borrower and the Propertycos have these signing rights, it is likely that a court would determine that the security interests granted in respect of these Borrower’s Accounts take effect as floating security interests notwithstanding that the security interests in favour of the Facility Agent over the Borrower’s Accounts are expressed to be a fixed charge. Accordingly, funds paid into any Account other than the Debt Service Account or the Disposal Proceeds and Deposit Account could be diverted to pay preferential creditors were a receiver, liquidator or administrator to be appointed in respect of the Borrower. It should be noted, however, that the Credit Agreement will provide that the Facility Agent is to have sole signing rights over the Debt Service Account (and therefore control over that account) and there will be no provisions in the Credit Agreement permitting the Facility Agent to relinquish such control or indeed for the Borrower or the Propertycos to assume signing rights and control over the Debt Service Account.

Assignment of rents

The Security Documents will contain provisions whereby rights to rental income in respect of occupational leases is assigned in security by way of the Assignations in Security to the Facility Agent. Each of the Borrower and the Propertycos will covenant in the Credit Agreement not to dispose of assets (such as the rents) to any other party, save as permitted pursuant to the Credit Agreement.

The Assignations in Security granted by the relevant Propertycos in favour of the Facility Agent can only be made effective by formal notification (**intimation**) being made to the relevant tenants under the occupational leases of each Property (and such tenants acting upon the intimation by directing future rent payments to an account under the control of the Facility Agent). If the relevant Propertyco becomes insolvent before intimation is made it will not thereafter be possible to make the Assignations in Security effective by such intimation. In addition, if prior to such intimation being made (i) the relevant Propertyco assigns the rents in question to a third party which itself makes intimation to the relevant tenants or (ii) any floating charge granted over the said rents by the Propertyco in favour of a third party crystallises or (iii) any of the said rents are arrested by a third party, the Assignations in Security will be postponed in priority to the rights of such third party.

In terms of the Security Documents, while no immediate intimation of the Assignations in Security will be made to the relevant tenants, such intimation will be made if so required by the Facility Agent upon the occurrence of an Event of Default. This will accordingly bring the Assignations in Security into effect, provided that none of the events referred to in the preceding paragraph has then occurred. In the event of the relevant Propertyco’s insolvency the Facility Agent would still have recourse to the

rents payable under the occupational leases (subject to any intervening third party rights as detailed above) upon the enforcement of the remainder of the Loan Security, since the relevant rents will be secured by both the Standard Securities over the Scottish Properties and the floating charges over the assets and undertakings of the Propertycos (subject in the case of the floating charges to the rights of unsecured creditors detailed under “*General Considerations – Enterprise Act 2002*” below) and will fall to the Facility Agent with effect from the enforcement of the said securities and charges.

Hedging risks

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

If the Borrower were to default in this obligation, or if a Hedge Counterparty were to default in its obligations to the Borrower, then the Borrower may have insufficient funds to make payments due at that time in respect of the Loans. In these circumstances the Issuer may not have sufficient funds to make payments in full on the Notes and Noteholders could, accordingly, suffer a loss.

Other indebtedness of the Borrower

The Borrower may incur additional indebtedness in connection with its business after the Closing Date. The existence of such indebtedness may adversely affect the financial viability of the Borrower. Additional debt increases the possibility that the Borrower would lack the resources to repay the Loan and the other debt. In addition, the Borrower may have actual or contingent liabilities linked to its activities which may result in the insolvency or administration of the Borrower.

In order to address these risks, the Credit Agreement restricts the right of the Borrower to incur additional indebtedness to within defined limits. Furthermore, the due diligence carried out on behalf of the Original Lender was designed to identify actual or contingent liabilities of the Borrower prior to the granting of the Loan. There can be no assurance, however, that no such actual or contingent liabilities exist or that the activities of the Borrower outside the transaction will not lead to its being the subject of an insolvency or administration order.

Administration of the Borrower

The Borrower is a Jersey limited partnership. It is probable that an administrator cannot be appointed to a Jersey limited partnership as a matter of Scottish law as in Scotland (in contrast to the position under English law), partnerships are not subject to the corporate insolvency regime of the Insolvency Act 1986 but to the personal insolvency regime of the Bankruptcy (Scotland) Act 1985, which contains no moratorium process analogous to administration. As a Jersey limited partnership has no separate personality from its partners and the limited partners in the Borrower are English companies, it is, however, possible that the English courts would be prepared to grant an administration order in respect of the Jersey limited partnership and that the Scottish courts would be prepared to give effect to that administration relative to the interests of the Borrower in the Properties (in accordance with the remainder of this paragraph). The making of an administration order under the Insolvency Act 1986 (as amended) prohibits a secured creditor from enforcing its security unless the consent of the administrator or the leave of the court is obtained. Furthermore, under English and Scottish law, it is not possible to appoint an administrative receiver to a limited partnership. Therefore it will not be possible to block the making of an administration order (if otherwise competent) in respect of the Borrower and its assets by the appointment of an administrative receiver pursuant to a qualifying floating charge. As a result of the stay of proceedings upon the making of such an administration order, the Facility Agent would not be entitled to enforce its security over the Borrower’s assets, unless it obtained the consent of the administrator or approval of the court. In these circumstances, it is likely that the Facility Agent would also be prevented from enforcing the security granted by the Guarantors (since it largely relates to assets to which the Borrower is beneficially entitled) without the consent of the administrator or leave of the court.

To ensure that in the event of an administration order being made in respect of the Borrower, the rental income and any disposal proceeds relating to the Properties continue to be applied in meeting the

Borrower's obligations under the Credit Agreement, the Obligors have entered into the arrangements described in "*Credit Structure – 4. Loan. Security*". Pursuant to these arrangements, the Guarantors will guarantee the Borrower's obligations. The Guarantors will be required and be empowered to satisfy their obligations under the guarantee out of the Trust Property and such payments to the Issuer will not violate the automatic stay provisions that would come into place upon the making of any administration order in respect of the Borrower. The effectiveness of such arrangements, however, could be challenged by an administrator or third party creditor of the Borrower in the courts of England and Wales or Scotland. Any such challenge could give rise to delays in enforcement of the security in respect of the Properties and the rents. Although the Liquidity Facility will, subject to certain conditions, be available, there is no guarantee that (if available) it would be in an amount sufficient to meet any shortfalls arising as a result of any such delays in enforcement.

Concentration of risk generally

The entire amount of the Note issue proceeds will be on-lent to the Borrower. The Borrower's only material assets are its interests in the Properties themselves and it will therefore have access to no funds other than those generated through its beneficial ownership of the Properties and the letting of the Properties to occupational tenants and any amounts that may be payable under the Hedging Arrangements. Commercial mortgage lending is generally viewed as exposing a lender to greater risk than residential mortgage lending since the repayment of loans secured by income producing properties is typically dependent upon the successful operation of the related property. If the Borrower were to be unable to make payment in full of the amounts due under the Loans, this would adversely affect the ability of the Issuer to make payments due in respect of the Notes in full.

Real property investments are subject to varying degrees of risk. Rental revenues and property values are affected by changes in the general economic climate and local conditions such as an oversupply of space, a reduction in demand for retail real estate in an area, competition from other available space or increased operating costs. Rental revenues and property values are also affected by such factors as political developments, government regulations and changes in planning laws or policies and changes in tax laws, interest rate levels, inflation, the availability of financing and yields of alternative investments. Retail rentals and values are sensitive to such factors, which can sometimes result in rapid, substantial increases or decreases in rental and valuation levels.

Leasehold titles and irritancy

Legal title to the Properties is split among the three Propertycos. Part of these titles are leasehold and the leases themselves include both headlease and sub-lease interests. While leasehold titles in Scotland commonly include irritancy (i.e. forfeiture) provisions permitting the relevant landlord to terminate the relevant lease in the event of specified breaches of the tenant's obligations or on the occurrence of specified events none of the main leasehold titles to the Properties contain such rights, other than (i) in the case of the leasehold title to Centre West, East Kilbride a right of irritancy in the event of the relevant Propertyco ceasing to exist as a company and (ii) in the case of all the leasehold titles the relevant landlord's right of irritancy implied by common law in the event of the rent being two years or more in arrears.

Under Scots law there are provisions whereby, in pursuing a right of irritancy (i.e. forfeiture) under a lease, the landlord must generally (and in all cases where the grant of irritancy is the breach of any monetary obligation) serve notice of intention to terminate upon the tenant. In the case of any monetary breach, provided the appropriate period of notice is given, the landlord's right to terminate is absolute if the breach is not remedied within the specified notice period. In the case of any non-monetary breach the tenant may contest the irritancy on the grounds that in the circumstances of the case a fair and reasonable landlord would not seek termination, and in such cases whether such relief is granted is at the court's absolute discretion. There is no direct equivalent in Scotland to the rights of relief from forfeiture which arise under English law.

Borrower's dependence on occupational tenants

The Borrower's ability to meet its obligations in respect of the Credit Agreement will depend upon its continuing to receive (as beneficial owner of the Properties held on its behalf) a significant level of aggregate rent from the occupational tenants under the occupational leases. The Borrower's ability to make payments in respect of the Credit Agreement could be adversely affected if occupancy levels at the Properties were to fall or if a significant number of occupational tenants were unable to meet their obligations under their occupational leases. See also "*Active Management of the Properties*" below.

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

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

The ability to attract the appropriate types and number of tenants paying rent levels sufficient to allow the Borrower to make payments due under the Credit Agreement will depend on, among other things, the performance generally of the retail property market. Global instability (resulting from economic and/or political factors, including the threat of global terrorism) may adversely affect the United Kingdom economy. In addition, changes in the structure of the retail sector in the United Kingdom, such as the continuing development of online shopping, may have a negative impact on the demand for regional shopping centres and hence the desirability of rental units at The Properties.

Rental levels, the quality of the buildings, the amenities and facilities offered, the convenience and location of the Properties, the amount of space available, the transport infrastructure and the age of the building in comparison to the alternatives are all factors which influence tenant demand. There is no guarantee that changes to the infrastructure, demographics, planning regulations and economic circumstances relating to the surrounding areas on which each Property depends for its consumer base will not adversely affect the demand for units in the Property.

Active management of the Properties

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

Equally, some occupational tenants may wish to reduce or expand the size of their premises or to move premises within the relevant Property.

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

Risks relating to conflicts of interest

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

There will be no restrictions on either the Servicer or the Special Servicer preventing them from acquiring Notes or servicing loans for third parties, including loans similar to the Loans. The properties

securing any such loans may be in the same market as the Properties. Consequently, personnel of the Servicer or the Special Servicer, as the case may be, may perform services on behalf of the Issuer with respect to the Loans at the same time as they are performing services on behalf of other persons with respect to similar loans. Despite the requirement on each of the Servicer and the Special Servicer to perform their respective servicing obligations in accordance with the terms of the Servicing Agreement (including the Servicing Standard), such other servicing obligations may pose inherent conflicts for the Servicer or the Special Servicer.

The Servicing Agreement will require the Servicer and the Special Servicer to service the Loans in accordance with the Servicing Standard. Certain discretions are given to the Servicer and the Special Servicer in determining how and in what manner to proceed in relation to the Loans. Further, as the Servicer and the Special Servicer may each acquire Notes, either of them could, at any time, hold any or all of the most junior class of Notes outstanding from time to time, and the holder of that class may have interests which conflict with the interests of the holder of the Notes, or more senior classes of Notes. However, the Servicer and the Special Servicer will be required under the Servicing Agreement to act in the best interests of all of the Noteholders.

Appointment of substitute Servicer

Prior to or contemporaneously with any termination of the appointment of the Servicer, it would first be necessary for the Issuer to appoint a substitute Servicer approved by the Borrower (such consent not to be unreasonably withheld or delayed and in any case to be deemed to have been given if the Borrower does not object within ten Business Days of being notified of the identity of the proposed substitute servicer or special servicer (as the case may be)) and the Trustee. The ability of any substitute Servicer to administer the Loans successfully would depend on the information and records then available to it. There is no guarantee that a substitute Servicer could be found who would be willing to administer the Loans at a commercially reasonable fee, or at all, on the terms of the Servicing Agreement (even though the Servicing Agreement will provide for the fees payable to a substitute Servicer to be consistent with those payable generally at that time for the provision of commercial mortgage administration services). The fees and expenses of a substitute Servicer would be payable in priority to payments due under the Notes.

Competition

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

The Properties' competitors are (i) in the respect of East Kilbride, the retail outlets in Glasgow (including its surrounding areas) and (ii) in respect of Aberdeen, the retail outlets in Aberdeen City Centre.

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

Development of the Properties

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

Turnover Rents

Certain of the current occupational leases and licences in respect of the Properties make provision for rent to be calculated on the basis of the occupational tenant's turnover. Because this element of rental income is dependent upon the trading performance of the relevant occupational tenants, there can be

no assurance that the full turnover rent will become payable. Occupational leases entered into in the future may contain provisions for such turnover rents. Accordingly, there can be no assurance that the Borrower's rental receipts from such occupational tenants will remain at previous levels and be of a sufficient amount on an ongoing basis to enable the Borrower to meet its obligations under the Credit Agreement. See further – “*Description of the Properties – East Kilbride – Leases*” and “*Description of the Properties – Aberdeen – Leases*”.

Administration risk in respect of certain tenants

If an occupational tenant which is a company were to enter into administration, the Borrower would be prohibited under the Insolvency Act 1986 from taking any action against the occupational tenant for recovery of sums due or to recover possession of the relevant premises. In addition a landlord requires the consent of the tenant's administrator or leave of the court before it is able to enforce rights against that company as tenant to forfeit the tenant's lease by irritancy.

If the tenant is still trading at the premises or has plans to recommence trading with a view to the survival of the company as a going concern, it is possible that the court would refuse to grant such leave to the landlord to irritate a lease and recover possession on the grounds that to do so would frustrate the purpose of the administration and, furthermore, that the court may do so notwithstanding that the administrator was only paying a reduced or even no rent under the terms of the relevant lease. This could impact on the management of the relevant Property and could result in an increase in the number of units in the relevant Property which are currently producing no or reduced income from time to time. However, there is no certainty at this time as to how the court will apply these provisions.

Leasing parameters

The occupational leases will generally be entered into in accordance with specified leasing parameters. However, such leasing parameters may be amended, supplemented, modified or waived by the General Partner, acting on behalf of the Borrower. Certain of the occupational leases in respect of the Properties are short-term, fully inclusive leases, under which the occupational tenants are required to pay a fully inclusive rental payment, which covers, among other things, a service charge element. The tenant must in addition pay a proportion of the Borrower's insurance costs. If service costs were to increase, those occupational tenants who rent units under such fully inclusive leases would not be required to contribute to the higher services costs. However, on the basis of a limited sample lease review, these fully inclusive leases do not form a large proportion of the aggregate gross rents of the Properties and are, in any case, generally let on short terms. In addition, the tenant must pay water and general rates (or a fair proportion thereof) to the Borrower in addition to the inclusive figures.

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

Late payment or non-payment of rent

There is a risk that rental payments due under an occupational lease on or before the relevant Loan Interest Payment Date will not be paid on the due date or not paid at all. If any payment of rent is not received on or prior to the immediately following Loan Interest Payment Date and any resultant shortfall is not otherwise compensated for from other resources, there may be insufficient cash available to the Borrower to make payments to the Issuer under the Loans in full or at all. Such a default by the Borrower may not itself result in a Note Event of Default since the Issuer will have access to other resources as mentioned above (specifically, funds made available under the Liquidity Facility to make certain payments under the Notes). However, no assurance can be given that such resources will, in all cases and in all circumstances, be sufficient to cover any such shortfall and that a Note Event of Default will not occur as a result of the late payment of rent.

Reliance on Valuation Report

The valuation report (the **Valuation Report**) which is reproduced in the section headed “*Valuation Report*” below is addressed to, among others, each of the Borrower, the Issuer, Eurohypo, the Trustee and the Lead Manager but may be relied on by each of them only as more fully set out therein.

The Valuer has valued the Properties, as at 31 December 2004, at £600,150,000 and has confirmed, and will confirm on the Closing Date, that since the date of the valuation, there has been no diminution in the value of the Properties. However, there can be no assurance that the market value of the Properties will continue to be equal to or exceed such valuation. As the market value of the Properties fluctuates, there is no assurance that this market value will be equal to or greater than the unpaid principal and accrued interest and any other amounts due under the Loans and therefore such amounts due under the Notes. If the Properties are sold following an Event of Default, there can be no assurance that the net proceeds of such sale will be sufficient to pay in full all amounts due under the Loans and therefore such amounts due under the Notes. In particular, it should be noted that the Properties, being large retail centres with leisure facilities, are specialised property assets for which, in such circumstances, no ready market may exist.

Insurance

The Credit Agreement will provide that the Facility Agent’s interest is to be noted on all insurance policies to be maintained by the Borrower in respect of the Properties (the **Insurance Policies**), other than third party liability insurance policies. The Borrower must also use reasonable endeavours to ensure that the Facility Agent’s interest is noted on any insurance policies maintained by any tenant or superior landlord at The Properties.

If a claim under an Insurance Policy is made, but the relevant Insurer fails to make payment in respect of that claim, this could prejudice the ability of the Borrower to make payments in respect of the Loans, which would in turn prejudice the ability of the Issuer to make payments in respect of the Notes. Under the terms of the Credit Agreement, the Borrower will be required to maintain the Insurance Policies (in respect of those insurances in place as at the Closing Date or any renewal thereof) with Royal and SunAlliance Insurance Plc or an insurance company or underwriter who has the requisite ratings or (in respect of any replacement insurance) with an insurance company or underwriter that has a long term credit rating or financial strength rating of (or, in the case of a group of insurance companies or underwriters, the weighted average thereof) of at least “A” (or its equivalent) by Fitch and “A” (or its equivalent) by S&P or if no insurance company or underwriter had such a rating is otherwise acceptable to the Facility Agent (acting reasonably).

If the Borrower’s insurer (other than the insurance in place at the Closing Date or any renewal thereof) ceases to meet the criteria set out above, then the Borrower must replace the insurer by (a) (if the Borrower is unable to recover the cost of the replacement insurance from tenants of the relevant Property) the renewal date for the relevant policy or (b) (in all other cases) the date falling 90 days after the insurer ceases to meet the criteria set out above.

Under the terms of the Credit Agreement, the Borrower shall apply all moneys received under any Insurance Policy (other than loss of rent or third party liability insurance) towards replacing, restoring or reinstating the Properties or in accordance with the lease documents or otherwise in accordance with applicable law, provided that if the Borrower is not required to apply such proceeds in reinstatement of the relevant Property, the Borrower may apply such proceeds in repaying such Loans as the Borrower may select.

Uninsured losses

The Credit Agreement will also contain provisions requiring the Borrower to carry or procure the carrying of insurance with respect to the Properties in accordance with specified terms (as to which, see further “*Credit Structure – 3. Credit Agreement – Undertakings*” below). There are, however, certain types of losses (such as losses resulting from war, terrorism (which, within certain limits, is currently covered by the existing insurances), nuclear radiation, radioactive contamination and heave or settling of structures) which may be or become either uninsurable or not insurable at economically viable rates or which for other reasons are not covered, or required to be covered, by the required Insurance Policies. The Borrower’s ability to repay the Loans (and, consequently, the Issuer’s ability to make payments on the Notes) might be affected adversely if such an uninsured or uninsurable loss were to occur, to the extent that such loss is not the responsibility of the occupational tenants pursuant to the terms of their occupational leases.

Planning matters

The Borrower has confirmed for the purposes of the Certificates of Title that the Properties have been constructed in accordance with all relevant planning legislation and, as far as the Borrower is aware, there are no material breaches of planning control existing on the Properties. In this regard, it should be noted that where occupational tenants are in breach of planning obligations or conditions, they would normally be required under the terms of their occupational lease to take responsibility for such breach. Failure to comply with planning obligations or conditions could give rise to planning enforcement or other compliance action by the local planning authority. Breaches of highways agreements could result in enforcement action by the Roads Authority including the stopping up of access to the Properties.

Environmental matters

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

If any environmental liability were to exist in respect of the Properties, neither the Issuer nor the Facility Agent should incur responsibility for such liability prior to enforcement of the Loan Security, unless it could be established that the relevant party had entered into possession of the Properties or could be said to be in control of the Properties. After enforcement, the Facility Agent, if deemed to be a heritable creditor in possession, or a receiver appointed on behalf of the Facility Agent, could become responsible for environmental liabilities in respect of the Properties. The Facility Agent will be indemnified against any such liability under the terms of the Credit Agreement, and amounts due in respect of any such indemnity will be payable in priority to payments to the Original Lender.

If an environmental liability arises in relation to a Property and is not remedied, or is not capable of being remedied, this may result in an inability to sell the Property or in a reduction in the price obtained for the Property resulting in a sale at a loss. In addition, third parties may sue a current or previous owner, occupier or operator of a site for damages and costs resulting from substances emanating from that site, and the presence of substances on the Property could result in personal injury or similar claims by private claimants.

Compulsory purchase

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

However, if a compulsory purchase order is made in respect of a Property (or part of the Property), compensation would be payable on the basis of the open market value of all of the relevant Propertyco's and the tenants' proprietary interests in the Property (or part thereof) at the time of the purchase. Following such a purchase the tenants would of course cease to be obliged to make any further rental payments to the relevant Propertyco under the relevant occupational lease (or rental payments would be reduced to reflect the compulsory purchase of a part of the Property if applicable). The risk to Noteholders is that the amount received from the proceeds of purchase of the heritable or leasehold title to the Property may be less than the original value ascribed to such Property. If all or any part of a Property is subject to a compulsory purchase order and the corresponding compensation received is in excess of £1,000,000 then, unless the Facility Agent agrees otherwise, the Borrower shall prepay one or more of the Loans in an amount equal to the proceeds received (rounded down to the nearest £50,000).

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.

Frustration

Under the Scots law principle of *rei interitus* a lease will automatically be terminated if the leased property is (without fault of either party to the lease) destroyed to the extent that it is no longer tenable or if an event occurs which completely precludes the performance of the parties' rights and

obligations under the lease (such as supervening legislation or state requisition). In the event of less than total destruction or unavailability of the leased property the tenant is in principle entitled to a proportionate abatement of rent. The parties to a lease are free to contract out of the effect of these principles by express agreement however and the occupational leases of the Properties generally contain such contracting out provisions.

If a tenancy granted in respect of a Property which did not contain such express provisions were to be frustrated then this could operate to have an adverse effect on the income derived from, or able to be generated by, that Property. This in turn could cause the Borrower to have insufficient funds to make payments in full in respect of the Credit Agreement, which could lead to a default thereunder.

Standard Securities and creditor in possession liability

In the event of a default under the Loans, the Facility Agent will be entitled to enforce the Standard Securities in its capacity as grantee (**heritable creditor**) thereof in accordance with the provisions of the Conveyancing and Feudal Reform (Scotland) Act 1970 (the **Feudal Reform Act**). The exercise of the enforcement remedies provided by the Feudal Reform Act generally requires the service of an appropriate statutory notice. Firstly, the heritable creditor may serve a “calling up notice”, in which event the chargor has two months to comply and in default the heritable creditor may enforce its rights under the standard security. Alternatively, in the case of remedial breaches, the heritable creditor may serve a “notice of default”, in which event the chargor has only one month in which to comply, but also has the right to object to the notice by court application within fourteen days of the date of service. In addition, the heritable creditor may in certain circumstances (including the insolvency of the chargor) make direct application to the court without the requirement of preliminary notice.

Subject to compliance with these procedures, the principal remedy of the heritable creditor under the Feudal Reform Act is to sell the secured property (in this case, the relevant Property). In this event the heritable creditor is obliged to take all reasonable steps to ensure that the sale price is the best that can reasonably be obtained. The Feudal Reform Act also provides additional remedies which may be exercised by the heritable creditor as an alternative or prior to sale, including entering into possession of the property (and receiving rents), leasing the property (for a period not exceeding seven years except with the consent of the court) and carrying out repairs. If a heritable creditor has attempted but failed to sell the secured property it can apply to the court for a decree of foreclosure, in terms of which the heritable creditor acquires the legal title to the secured property.

A receiver cannot be appointed under a standard security, and there is no equivalent under Scots law to a “Law of Property Act receiver” under English law. The Facility Agent may, however, in the event of a default, enforce the Loan Security by the appointment of an administrative receiver of the whole assets of the relevant Obligor (other than the Borrower) pursuant to the Security Agreement (as to which see “*General Considerations – Enterprise Act 2002*” below).

The Facility Agent may be deemed to be a heritable creditor in possession if there is physical possession of the Properties or an act of control or influence which may amount to possession, such as submitting a demand or notice direct to tenants requiring them to pay rents to the Facility Agent. In a case where it is necessary to initiate enforcement procedures against the Borrower, the Facility Agent is likely to appoint a receiver (pursuant to the floating charge granted by the relevant Propertyco) to collect the rental income on its behalf which should have the effect of reducing the risk that the Facility Agent is deemed to be a heritable creditor in possession.

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

(C) General considerations

Reliance on warranties

Neither the Issuer nor the Trustee has independently undertaken any investigations as to the accuracy of the various representations given by the Borrower in respect of the Loans, the Loan Security and related matters. Instead, they will rely on the representations and warranties to be given by the Borrower under the Credit Agreement (such representations and warranties to be given on the Closing

Date and repeated only on each subsequent drawdown date), the Certificates of Title and environmental reports on the Properties prepared by Knight Frank LLP and the Valuation Report.

European Monetary Union

It is possible that, prior to the maturity of the Notes, the United Kingdom may become a participating Member State in Economic and Monetary Union and that therefore the euro may become the lawful currency of the United Kingdom. If so, (a) all amounts payable in respect of the Notes may become payable in euro, (b) the introduction of the euro as the lawful currency of the United Kingdom may result in the disappearance of published or displayed rates for deposits in sterling used to determine the rates of interest on the Notes or changes in the way those rates are calculated, quoted and published or displayed and (c) applicable provisions of law may allow the Issuer to redenominate the Notes into euro and take additional measures in respect of the Notes.

If the euro becomes the lawful currency of the United Kingdom and the Notes are outstanding at the time, the Issuer intends to make payments on the Notes in accordance with the then market practice of payments on such debts. It cannot be said with certainty what effect, if any, the adoption of the euro by the United Kingdom may have on investors in the Notes. The introduction of the euro could also be accompanied by a volatile interest rate environment which could adversely affect the Borrower's ability to repay the Loans, although the Borrower is required to maintain certain hedging cover in respect of its obligations under the Loans.

European Union Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economic and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries).

Implementation of Basel II risk-weighted asset framework

The Basel Committee on Banking Supervision 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.

Enterprise Act 2002

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

However, section 72B of the Insolvency Act contains provisions which continue to allow for the appointment of an administrative receiver in relation to certain transactions in the capital markets. The relevant exception provides that the right to appoint an administrative receiver is retained for certain

types of security (such as the floating charges granted by the Issuer pursuant to the Deed of Charge and by the Propertycos pursuant to the Security Documents) 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 was entered into, a party to the relevant transaction (such as the Issuer) was expected to incur a debt of at least £50,000,000) and also the issue of a capital market investment (also defined but generally a rated, listed or traded bond).

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

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

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

In addition to the introduction of a prohibition on the appointment of an administrative receiver as set out above, section 176A of the Insolvency Act provides that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's "net property" is defined as the amount of the company's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of those expenses of the liquidation or administration (as the case may be) which are permitted by law to be paid out of floating charge realisations. 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.

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

Insolvency Act 2000

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

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

The position as to whether or not a company is a small company may change from time to time and consequently no assurance can be given that the Issuer will not, at any given time, be determined to be

a small company. The Secretary of State for Trade and Industry may by regulation modify the eligibility requirements for small companies and can make different provisions for different cases. No assurance can be given that any such modification or different provisions will not be detrimental to the interests of Noteholders.

However, secondary legislation has been enacted which excludes certain special purpose companies in relation to capital market transactions from the optional moratorium provisions. Such exceptions include (i) a company which is a party to an agreement which is or forms part of a capital market arrangement (as defined in that secondary legislation) under which a party has incurred or when the agreement was entered into was expected to incur a debt of at least £10 million and which involves the issue of a capital market investment (also defined, but generally a rated, listed or traded bond) and (ii) a company which has incurred a liability (including a present, future or contingent liability) of at least £10 million. While the Issuer is of the view that the Issuer should fall within the exceptions (as would each of Holdco, Subco and, to the extent the Insolvency Act 1986 applies to Jersey companies, the Propertycos), 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 of the relevant Obligors is determined to be a “small” company and determined not to fall within one of the exceptions (by reason of modification of the exceptions or otherwise), then the enforcement of the security for the Notes by the Trustee may, for a period, be prohibited by the imposition of a moratorium.

Risks relating to the Introduction of International Financial Reporting Standards

The UK corporation tax position of the Issuer depends to a significant extent on the accounting treatment applicable to it. From 1 January 2005, the accounts of the Issuer are required to comply with International Financial Reporting Standards (**IFRS**) or with new UK Financial Reporting Standards reflecting IFRS (**new UK GAAP**). There is a concern that companies such as the Issuer might under either IFRS or new UK GAAP, suffer timing differences that could result in profits or losses for accounting purposes, and accordingly for tax purposes, which bear little or no relationship to the company’s cash position.

The stated policy of the Inland Revenue 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 consequently they are working with participants in the securitisation industry to identify appropriate means of preventing any such disruption. As a first step, as part of the Chancellor’s Pre-Budget Report dated 2 December 2004, draft legislation (the **draft legislation**) was published to be included in the Finance Act 2005, creating a special interim corporation tax regime for “securitisation companies”. That draft legislation was amended and incorporated in the Finance Act 2005. The Finance Act 2005 contains legislation which allows “securitisation companies” to prepare tax computations for accounting periods ending before 1 January 2007 on the basis of UK GAAP as applicable up to 31 December 2004 (the **moratorium period**), notwithstanding any requirement to prepare statutory accounts under IFRS or new UK GAAP.

The Issuer is likely to be a “securitisation company” for these purposes. The Finance Act 2005 also provides for the power on the part of the Treasury to introduce regulations to establish a permanent tax regime that will apply for securitisation companies.

Unless further extensions to the moratorium period or other measures are not introduced by the Inland Revenue to deal with accounting periods beginning on or after 1 January 2007, then profits or losses could arise in the Issuer as a result of the application of IFRS or new UK GAAP which could have tax effects not contemplated in the cashflows for the transaction and as such adversely affect the Issuer and consequently may affect the Noteholders.

Change of law

The structure of the issue of the Notes, the ratings which are to be assigned to them and the related transactions described in this Offering Circular are based on English, Scots 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 or European law or administrative practice after the date of this document, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

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

THE ISSUER

The Issuer, Opera Finance (Scottish Retail) plc, was incorporated in England and Wales on 8 February 2005 (registered number 5357505), 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. The Issuer has no subsidiaries.

1. Principal Activities

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

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

The activities of the Issuer will be restricted by the Conditions and will be limited to the issue of the Notes, the making of the Loans, the exercise of related rights and powers and the other activities described in this document. See further **Condition 4.1**.

2. Directors and Secretary

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

Name	Business Address	Principal Activities
SFM Directors Limited	35 Great St. Helen's, London EC3A 6AP	Directors of special purpose companies
SFM Directors (No.2) Limited	35 Great St. Helen's, London EC3A 6AP	Directors of special purpose companies

The company secretary of the Issuer is SFM Corporate Services Limited, a company incorporated in England and Wales (registered number 3920255), whose business address is 35 Great St. Helen's, London EC3A 6AP. The directors of SFM Directors Limited (registered number 3920254) and SFM Directors (No.2) Limited (registered number 4017430) are Jonathan Eden Keighley, James Garner Smith Macdonald and Robert William Berry (together with their alternate directors Annika Goodwille, Helena Whitaker, Claudia Wallace, J-P Nowacki and Petra Lohmeier) and the directors of SFM Corporate Services Limited are Jonathan Eden Keighley, James Garner Smith Macdonald and Robert William Berry (together with their alternate directors Annika Goodwille, Helena Whitaker, Claudia Wallace, J-P Nowacki and Petra Lohmeier), 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.

3. Capitalisation and Indebtedness

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

Share Capital

Authorised Share Capital (£)	Issued Share Capital (£)	Value of each Share (£)	Shares Full Paid Up	Shares Quarter Paid Up	Paid Up Share Capital
50,000	50,000	1	2	49,998	12,501.50

49,999 of the issued shares (being 49,998 shares of £1 each, each of which is paid up as to 25p and one share of £1 which is fully paid) in the Issuer are held by Holdings. The remaining one share in the

Issuer, which is fully paid, is held by SFM Nominees Limited (registered number 4115230) under the terms of a trust dated 30 March 2005 (the **Nominee Declaration of Trust**) as nominee for Holdings.

Loan Capital

Class A Commercial Mortgage Backed Floating Rate Notes due 2014.....	£315,000,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2014.....	£60,000,000
Class C Commercial Mortgage Backed Floating Rate Notes due 2014	£30,000,000
Class D Commercial Mortgage Backed Floating Rate Notes due 2014	£25,000,000
Total Loan Capital	£430,000,000

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

4. Accountants' Report

The following is the text of a report, extracted without material adjustment, received by the Issuer from KPMG LLP (**KPMG**) a chartered accountancy practice who have been appointed as registered auditor and reporting accountants to the Issuer. The balance sheet contained in the report does not comprise the Issuer's statutory accounts. No statutory accounts have been prepared or delivered to the Registrar of Companies in England and Wales since the Issuer's incorporation. The Issuer's accounting reference date is 31 December and the first statutory accounts will be drawn up to 31 December 2005.

"KPMG LLP

Private & confidential

The Directors

Opera Finance (Scottish Retail) plc

35 Great St. Helen's

London EC3A 6AP

15 April 2005

Dear Sirs

Opera Finance (Scottish Retail) plc (the "Company"): £315,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2014, £60,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2014, £30,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2014 and £25,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2014 (together, the Notes)

We report on the financial information set out in **paragraphs 1 and 2** below. This financial information has been prepared for inclusion in the offering circular dated 15 April 2005 (the "**Offering Circular**") of the Company.

Basis of Preparation

The financial information set out below is based on the financial statements of the Company from incorporation to 15 April 2005 prepared on the basis described in note 2.1.

Responsibility

Such financial statements are the responsibility of the directors of the Company.

The Company is responsible for the contents of the Offering Circular in which this report is included.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the financial information gives, for the purposes of the Offering Circular, a true and fair view of the state of affairs of the Company at 15 April 2005.

Yours faithfully

KPMG LLP

1. Balance Sheet as at 15 April 2005

	<u>£</u>
<i>Current assets</i>	
Cash at bank and in hand.....	12,501.50
<i>Capital and reserves</i>	
Called up equity share capital	
49,998 shares 25% paid and 2 shares 100% called and paid.....	12,501.50

2. Notes

2.1 Accounting Policies

The financial information has been prepared under the historical cost convention and in accordance with accounting standards currently applicable in the United Kingdom.

2.2 Trading Activity

The Company was incorporated on 8 February 2005. The Company has not yet commenced business, no audited financial statements have been made up and no dividends have been declared or paid since the date of incorporation.

2.3 Share Capital

The Company was incorporated and registered as a public limited company in England and Wales on 8 February 2005, with the name of Opera Finance (Scottish Retail) plc.

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

On incorporation, one subscriber share was taken by SFM Nominees Limited and one subscriber share was taken by SFM Corporate Services Limited. Both subscriber shares were fully paid.

On 11 February 2005, one ordinary share was transferred from SFM Corporate Services Limited to Opera Finance (Scottish Retail) Holdings Limited for the cash consideration of £1.

On 2 March 2005, 49,998 ordinary shares were issued by the Company to Opera Finance (Scottish Retail) Holdings Limited and one quarter paid-up for a total cash consideration of £12,499.50.

2.4 Auditors

KPMG Audit Plc was appointed as auditor on 11 February 2005.

THE BORROWER

The Borrower, The Scottish Retail Property Limited Partnership, was established in Jersey on 12 March 2004 (registered number LP477), as a limited partnership under the Limited Partnerships (Jersey) Law 1994 (the **Partnerships Law**) and its affairs are governed by a limited partnership agreement amended and restated on 16 March 2004, between Scottish Retail Property General Partner Limited as general partner (the **General Partner**) and Adamant Investment Corporation Limited, BLU Property Management Limited, City Wall (Holdings) Limited and Murrayfield Real Estate (Second Dundee) Limited as limited partners (the **Limited Partners**).

The Borrower's registered office is at the registered office of the General Partner. The General Partner and the Limited Partners are, together, referred to as the **Partners**.

Pursuant to the Partnership Agreement, the General Partner is the general partner and the Limited Partners are the limited partners of the Borrower. The Borrower has no legal personality of its own. The General Partner conducts the day-to-day management of the business of the Borrower (the Limited Partners do not take part in managing the business of the Borrower).

All the assets of the Borrower (the **Partnership Assets**) are vested in the General Partner except that legal title to the Trust Property is vested in subsidiaries of the General Partner. The Borrower has and will have assets and liabilities other than those outlined in and the subject of the transaction described in the Offering Circular.

1. Principal Activities

The principal purpose of the Borrower as set out in the Partnership Agreement is, among other things, to carry on the business of an investor in retail property in the United Kingdom and in particular but without limitation, to acquire, hold, manage and sell investments held for the account of the Borrower (including but without limitation to the generality of the foregoing, title to the Properties) and to carry on its business in accordance with a business plan in respect of the Borrower produced by a manager and approved by the General Partner. The Borrower shall hold such investments, whether by way of acquisition of new investments or capital expenditure on existing investments in accordance with the Partnership Agreement.

Since March 2004 the Borrower has engaged in activities or operations relating to the acquisition, financing, management, maintenance, extension, refurbishment, development, letting, disposal and operation of land and buildings at shopping centres in East Kilbride and Aberdeen, Scotland. In connection with the transactions described in this Offering Circular, the Borrower will enter into the Credit Agreement and the documents referred to therein and will create security as more particularly described in this Offering Circular.

The only other activities in which the Borrower has engaged are those incidental to its registration, the matters referred to or contemplated in this Offering Circular and the authorisation, execution, delivery and performance of the other documents referred to in this Offering Circular to which it is a party and matters which are incidental or ancillary to the foregoing. The Borrower has, pursuant to the terms of the Credit Agreement, covenanted to observe certain restrictions on its activities, which are detailed in "*Credit Structure*" below.

2. Capitalisation and Indebtedness

The following table sets forth the capitalisation and indebtedness of the Borrower as at 30 September 2004, which has been extracted without material adjustment from the unaudited interim balance sheet of the Borrower as at 30 September 2004 and adjusted financial information setting forth the effect of the transaction:

	As at	
	30 September 2004	
	Actual (£m)	Adjusted ¹ (£m)
Securitised Loan	–	430.0
Total indebtedness	0	430.0
Partners' Capital Contributions	499.7	72.7*
Revenue reserve	14.3	14.3
Total Partners' funds	514.0	87.0**
Total capitalisation and indebtedness	514.0	517.0

¹ The adjusted financial information sets out the capitalisation and indebtedness of the Borrower as if the transaction had taken place on 30 September 2004.

* Reduction in Partners' capital of £427.0 million, being £430.0 million raised less £3.0 million of debt issue costs.

** Since the Properties are shown in the balance sheet at cost, total Partners' funds do not reflect the property revaluation surplus of £31 million at 30 September 2004.

3. Financial Position

The Borrower's most recent unaudited balance sheet (being for the period ended 30 September 2004) is included at Appendix A to this Offering Circular. As a limited partnership under the Partnerships Law, the Borrower is required to keep accounting records sufficient to show and explain its transactions and to disclose with reasonable accuracy its financial position at any time.

For further information in relation to the Borrower's financial statements, please see paragraph 9 of the "General Information" section below.

At 30 September 2004, the Borrower had no contingent liabilities that would have a material adverse effect on its financial condition at that date. There has been no material adverse change in the Borrower's financial condition since that date.

Since 30 September 2004, the Borrower has purchased further properties forming part of or ancillary to the shopping centres at East Kilbride and Aberdeen, funded by loans from the Partners. In addition, the value of its original interests in those centres has increased. The Properties have been valued as at 31 December 2004 at £600,150,000.

THE GENERAL PARTNER

Scottish Retail Property General Partner Limited, (the **General Partner**) was incorporated in Jersey on 8 March 2004 (registered number 87232), as a private company with limited liability under the Companies (Jersey) Law 1991 (as amended). The registered office of the General Partner is at 22 Grenville Street, St. Helier, Jersey JE4 8PX.

1. Principal Activities

The capacity of the General Partner is not limited by anything in its Memorandum or Articles of Association. It therefore has capacity to act as a holding company, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property, to carry on the business of an investment holding company, to issue securities, financial instruments and derivative contracts, to raise or borrow money and to grant security over its assets for such purposes, and to lend money with or without security.

The Shareholders' Agreement dated 16 March 2004 between the General Partner, Land Securities Partnerships Limited and City Wall (Holdings) Limited states that the business of the General Partner shall be to conduct, as general partner of the Borrower, the business of investing in retail property in the United Kingdom and, in particular, to acquire, hold, manage and sell investments held for the account of the Borrower (whether by the General Partner or otherwise) including title to properties acquired by the Borrower and held as partnership assets.

The General Partner has only engaged, since its incorporation, in activities incidental to its incorporation and in activities or operations relating to its role as general partner of the Borrower, including the acquisition of shares in each of TNL, TPL, TPL2 and Holdco.

The issued shares in each of TNL, TPL and TPL2 held by the General Partner were transferred to Holdco on 16 March 2005 and were then transferred to Subco on 17 March 2005.

In connection with the transactions described in this Offering Circular, the General Partner will enter into the documents referred to therein and created security all as more particularly described in this Offering Circular.

2. Directors and Secretary

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

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Robert Edward Bowden	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Sarah Morrell Barzycki	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Merrick Christopher Lawrence Marshall	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Aubrey Mark Collins	5 Strand, London EC2N 5AF	Director
David Holt	5 Strand, London EC2N 5AF	Director
Richard John Akers	5 Strand, London EC2N 5AF	Director

The company secretary of the General Partner is Mourant & Co. Secretaries Limited. The General Partner has no employees.

HOLDCO

Tartan Holding Company (No.1) Limited, (**Holdco**) was incorporated in England and Wales on 31 January 2005 (registered number 5347667), as a private company with limited liability under the Companies Act 1985. The registered office of Holdco is at 10 Cornwall Terrace, Regent's Park, London NW1 4QP. Holdco is a wholly-owned subsidiary of the General Partner.

1. Principal Activities

The principal objects of Holdco are set out in clause 3 of its memorandum of association and are, among other things, to act as a holding company, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property, to carry on the business of an investment holding company, to issue securities, financial instruments and derivative contracts, to raise or borrow money and to grant security over its assets for such purposes, and to lend money with or without security.

Holdco has not commenced operations and has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the acquisition of Subco, the financing of the Properties, the authorisation of the documents and matters referred to or contemplated in this Offering Circular to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

2. Directors and Secretary

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

Name	Business Address	Principal Activities
Robert Edward Bowden	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Sarah Morrell Barzycki	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Merrick Christopher Lawrence Marshall	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Aubrey Mark Collins	5 Strand, London EC2N 5AF	Director
David Holt	5 Strand, London EC2N 5AF	Director
Richard John Akers	5 Strand, London EC2N 5AF	Director

The company secretary of Holdco is Rebecca Scudamore. Holdco has no employees.

SUBCO

Tartan Holding Company (No.2) Limited, (**Subco**) was incorporated in England and Wales on 31 January 2005 (registered number 5347670), as a private company with limited liability under the Companies Act 1985. The registered office of Subco is at 10 Cornwall Terrace, Regent's Park, London NW1 4QP. Subco is a wholly-owned subsidiary of Holdco.

1. Principal Activities

The principal objects of Subco are set out in clause 3 of its memorandum of association and are, among other things, to act as a holding company, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property, to carry on the business of an investment holding company, to issue securities, financial instruments and derivative contracts, to raise or borrow money and to grant security over its assets for such purposes, and to lend money with or without security.

Subco has not commenced operations and has not engaged, since its incorporation, in any activities other than those incidental to its incorporation, the acquisition of the Propertycos, the financing of the Properties, the authorisation of the documents and matters referred to or contemplated in this Offering Circular to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

2. Directors and Secretary

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

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Robert Edward Bowden	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Sarah Morrell Barzycki	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Merrick Christopher Lawrence Marshall	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Aubrey Mark Collins	5 Strand, London EC2N 5AF	Director
David Holt	5 Strand, London EC2N 5AF	Director
Richard John Akers	5 Strand, London EC2N 5AF	Director

The company secretary of Subco is Rebecca Scudamore. Subco has no employees.

TNL

Tartan Nominee Limited, (**TNL**) was incorporated in Jersey on 9 March 2004 (registered number 87238), as a private company with limited liability. The registered office of TNL is at 22 Grenville Street, St. Helier, JE4 8PX. TNL is a wholly-owned subsidiary of Subco.

1. Principal Activities

The capacity of TNL is not limited by anything in its Memorandum or Articles of Association. It therefore has capacity to act as a holding company, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property, to carry on the business of an investment holding company, to issue securities, financial instruments and derivative contracts, to raise or borrow money and to grant security over its assets for such purposes, and to lend money with or without security.

The primary activity of TNL since its incorporation has been to acquire and hold legal title to various titles comprised in the Properties for the benefit of the Borrower. TNL has not engaged, since its incorporation, in any other activities other than those incidental to its incorporation, its acquisition by Holdco and then by Subco, the financing of the Properties, the authorisation of the documents and matters referred to or contemplated in this Offering Circular to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

2. Directors and Secretary

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

Name	Business Address	Principal Activities
Robert Edward Bowden	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Sarah Morrell Barzycki	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Merrick Christopher Lawrence Marshall	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Aubrey Mark Collins	5 Strand, London EC2N 5AF	Director
David Holt	5 Strand, London EC2N 5AF	Director
Richard John Akers	5 Strand, London EC2N 5AF	Director

The company secretary of TNL is Mourant & Co. Secretaries Limited. TNL has no employees.

TPL

Tartan Property Limited, (**TPL**) was incorporated in Jersey on 11 March 2004 (registered number 87262), as a private company with limited liability. The registered office of TPL is at 22 Grenville Street, St. Helier, JE4 8PX. TPL is a wholly-owned subsidiary of Subco.

1. Principal Activities

The capacity of TPL is not limited by anything in its Memorandum or Articles of Association. It therefore has capacity to act as a holding company, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property, to carry on the business of an investment holding company, to issue securities, financial instruments and derivative contracts, to raise or borrow money and to grant security over its assets for such purposes, and to lend money with or without security.

The primary activity of TPL since its incorporation has been to acquire and hold both the legal and beneficial title to two titles comprised in the Properties. TPL has not engaged, since its incorporation, in any other activities other than those incidental to its incorporation, its acquisition by Holdco and then Subco, the financing of the Properties, the authorisation of the documents and matters referred to or contemplated in this Offering Circular to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

2. Directors and Secretary

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

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Robert Edward Bowden	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Sarah Morrell Barzycki	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Merrick Christopher Lawrence Marshall	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Aubrey Mark Collins	5 Strand, London EC2N 5AF	Director
David Holt	5 Strand, London EC2N 5AF	Director
Richard John Akers	5 Strand, London EC2N 5AF	Director

The company secretary of TPL is Mourant & Co. Secretaries Limited. TPL has no employees.

TPL2

Tartan Property (No.2) Limited, (**TPL2**) was incorporated in Jersey on 12 March 2004 (registered number 87277), as a private company with limited liability. The registered office of TPL2 is at 22 Grenville Street, St. Helier, JE4 8PX. TPL2 is a wholly-owned subsidiary of Subco.

Principal Activities

The capacity of TPL2 is not limited by anything in its Memorandum or Articles of Association. It therefore has capacity to act as a holding company, to carry on the business of holding, dealing with, investing, managing, buying, selling and leasing any right or interest in, over or upon any real property, to carry on the business of an investment holding company, to issue securities, financial instruments and derivative contracts, to raise or borrow money and to grant security over its assets for such purposes, and to lend money with or without security.

The primary activities of TPL2 since its incorporation has been to acquire and hold the legal and beneficial interest in one of the titles comprised in the Properties and the legal interest in another for the benefit of the Borrower. TPL2 has not engaged, since its incorporation, in any other activities other than those incidental to its incorporation, its acquisition by Holdco and then Subco, the financing of the Properties, the authorisation of the documents and matters referred to or contemplated in this Offering Circular to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

Directors and Secretary

The directors of TPL2 and their respective business addresses and other principal activities are:

Name	Business Address	Principal Activities
Robert Edward Bowden	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Sarah Morrell Barzycki	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Merrick Christopher Lawrence Marshall	10 Cornwall Terrace, Regent's Park, London NW1 4QP	Director
Aubrey Mark Collins	5 Strand, London EC2N 5AF	Director
David Holt	5 Strand, London EC2N 5AF	Director
Richard John Akers	5 Strand, London EC2N 5AF	Director

The company secretary of TPL2 is Mourant & Co. Secretaries Limited. TPL2 has no employees.

DESCRIPTION OF THE PROPERTIES

Introduction

The Properties upon which the Loans will be secured comprise the land and buildings of the East Kilbride Shopping Centre, East Kilbride, Scotland and the Bon Accord and St. Nicholas Shopping Centre, Aberdeen, Scotland as well as various smaller properties including the property forming the former Aberdeen University Union building.

Together the East Kilbride Shopping Centre, and the Bon Accord and St. Nicholas Shopping Centre (the **Centres**) provide in excess of 1.4 million square feet of retail space and approximately 149,000 square feet of office space in Plaza Tower. The Centres have in excess of 300 units, generating a gross contracted rental income¹ of £35.7 million and provide the dominant retail offer in their respective locations.

The Centres benefit from long leases with a weighted average lease expiry of 12 years. Annual footfall is in excess of 15 million people at each Centre. The top ten tenants account (excluding car parking income) for 21.8 per cent. of total gross contracted rental income with 20.5 per cent. of total gross contracted rental income derived from investment grade tenants. By rent liability the Arcadia Group is the largest single occupier across the Centres.

The Properties were valued at £600,150,000 million by the Valuer as at 31 December 2004. The Valuer has confirmed that there has been no diminution in value since that date. The net annual rent (inclusive of reversionary income from outstanding rent reviews) shown in the Valuation Report was £32.3 million per annum.

¹ Gross contracted rental income excludes reversionary income and turnover rent but is stated post expiry of rent-free periods.

EAST KILBRIDE

Introduction

East Kilbride Shopping Centre, with a net lettable retail area of approximately 1 million square feet is the largest covered shopping centre in Scotland. The centre comprises six areas: Centre West, The Plaza (including the Plaza Tower office block), Princes Square, Southgate, Olympia Mall and Princes Mall, which are now managed and operated as an integrated shopping destination. The Centre provides almost all of the East Kilbride town centre retail provision.

The property includes:

- strong anchor tenants including Debenhams, Marks & Spencer, Woolworths, Morrisons (trading as Safeway), Boots, Bhs and Primark;
- national multiples including Next, the Arcadia Group, Zara, and Dixons Group;
- a diversified tenant base with in excess of 220 shop leases;
- two food courts and mall located cafes and restaurants;
- a leisure offering including a multiplex cinema, bingo hall, a local authority run indoor ice rink and public library;
- approximately 3,300 car parking spaces;
- areas of ground surrounding the East Kilbride bus station; and
- 149,000 square feet of office accommodation located in the Plaza Tower.

As per the Knight Frank LLP valuation dated 31 December 2004, net rent (inclusive of reversionary income from outstanding rent reviews) in respect of the Centre was £20.9 million per annum.

Market Value

The valuer has determined the market value of the heritable and leasehold interests in the East Kilbride Shopping Centre, subject to the existing tenancies, to be £376.75 million as at 31 December 2004.

Location

East Kilbride is located in the heart of west-central Scotland 19 km (12 miles) south-west of Glasgow, and has developed from the status of Scotland's first New Town into a key business and retail location with a resident population of 73,796 (2001 Census) which forms part of the South Lanarkshire area (pop 302,000), including the surrounding villages and settlements.



Access

A direct dual carriageway road link is provided to the motorway network including the M74 to the south and the M8 to Edinburgh and the east. Glasgow city centre is approximately 25 minutes drive from the town with Glasgow and Edinburgh Airports within thirty minutes and forty minutes drive time respectively. The road network is to be substantially upgraded with the construction of the Glasgow Southern Orbital link.

East Kilbride bus station, located at the entrance to Princes Mall, has over 400,000 departures per annum. The Borrower and Strathclyde Council have recently invested £4 million to redevelop the bus station and increase its capacity. The new bus station is due to complete in March 2005, and includes a new Travel Centre and Citizens Advice Bureau.

East Kilbride provides car parking provision for approximately 3,300 cars spread over three car parks located at Centre West (approximately 1,250 spaces), The Plaza (approximately 1,115 spaces) and Olympia Mall (approximately 925 spaces).

Tenure

With the exception of Centre West (which is held leasehold), the property is held on heritable title.

Centre West is held on a 99 year groundlease from 3 April 2001 with an option for the tenant to extend for a further period of 99 years on the same terms and conditions. The landlord, South Lanarkshire Council, is entitled to receive the higher of £600,000 or 12 per cent. of the consolidated net rental income.

Property description

The property is divided into six shopping areas.

Centre West is the newest addition to the retailing facilities of East Kilbride and provides some 280,000 sq ft of retail and associated facilities, completed and opened in March 2003. The development provides accommodation to modern tenants' requirements and includes 7m wide malls. It is constructed on two trading levels with 42 units, anchored by a 123,500 sq ft Debenhams department store. There is an approximately 1,250 space multi storey car park at the western end, with a food court area at upper mall level.

The Plaza was originally constructed in the early 1970s and refurbished in 1989-1990. It was further upgraded with a new atrium added at the western end in 1998-2000 in preparation for the construction of, and connection to, Centre West. The Plaza provides 245,000 sq ft of mainly single level retail facilities but with anchor stores (Bhs, Primark, W H Smith and Boots) trading on two levels and provides three main areas known as North Mall, South Mall and West Mall. There is a car park with about approximately 1,115 spaces which was refurbished in 1997-98. The property includes a purpose built "L" shaped office tower – the Plaza Tower – incorporating retail and service areas on lower floors with office accommodation totalling some 149,000 sq ft.

Southgate Mall was originally built in the 1960s as part of an open precinct and the property was re-developed and enclosed in the mid 1980s by the introduction of the atrium. Southgate Mall comprises approximately 45,843 sq ft of accommodation including 14 retail units and forms the linkage between The Plaza, Olympia Mall and Princes Square. At mezzanine/first floor level is included the Carlton Club bingo hall and at second floor level, Caledonia House provides approximately 4,150 sq ft of office accommodation.

Princes Square was substantially re-constructed in 1997 during a redevelopment of the original 1960s built structures to provide some 87,769 sq ft of retail accommodation mainly on a single trading level with 34 shop units. The main retail frontage is to the enclosed mall with secondary external frontages.

Olympia Mall provides the main eastern entrance to the East Kilbride Shopping Centre along the east-west retailing axis of the town and comprises some 200,000 sq ft including two large stores Morrisons (trading as Safeway) and H&M, 48 shops, a multi screen cinema, a public house and a nightclub. The property incorporates a food court, an ice-rink and the main public library and includes some 925 car parking spaces in a decked and part roof level car park.

Princes Mall was originally constructed as a pedestrianised retail street forming part of an open precinct. The mall was enclosed in the early 1980s and now provides some 155,630 sq ft of retail

including two stores (Woolworths and one store held vacant by the Borrower to allow for future development), 65 shops, public house and some 10,255 sq ft of offices.

Accommodation and tenants

East Kilbride Shopping Centre currently has in excess of 220 shop leases. Knight Frank LLP estimate that 92 per cent. of current gross income (excluding car park and turnover related income) is secured against the covenants of national multiples and banks with the proportion of income attributable to local independent traders being only 3.4 per cent. Charities account for 0.5 per cent. of current gross income with the remainder of income received from national (3.7 per cent.) and local (0.2 per cent.) government.

The East Kilbride Shopping Centre benefits from a wide variety of tenants. The current tenant mix at the Centre across industries is presented below:

Tenant Industry	Base Rent	Share	Net Lettable area (sq. ft.)	Share
Fashion	7,494,052	32.5%	244,791	20.8%
Miscellaneous	4,963,528	21.5%	149,516	12.7%
Catering & Food Stores.....	2,535,485	11.0%	111,377	9.5%
Services.....	3,306,188	14.3%	249,542	21.3%
Variety Stores	1,722,673	7.5%	112,946	9.6%
Department Stores	758,669	3.3%	123,510	10.5%
Sports	841,700	3.7%	33,442	2.9%
Electrical	848,675	3.7%	19,180	1.6%
Car Parking	570,325	2.5%	–	0.0%
Vacant	–	0.0%	130,288	11.1%
Total.....	23,041,295	100.0%	1,174,592	100.0%

(Miscellaneous comprises: Accessories, Advertising, Arts & Gifts, Books, Cards and Stationery, Chemists, Health and Beauty, Music and Videos, Opticians, Other, Soft Furnishings and Haberdashery, Telecommunications and Toys Games and Computer Software).

(Source: Eurohypo analysis)

The ten largest tenants (excluding car parking) account for approximately 22.4 per cent. of gross contracted rental income. The largest tenant, the UK Government, accounts for 3.7 per cent. of gross contracted rental income. The top 50 tenants account for 55.2 per cent. of gross contracted rental income, and the top 100 tenants generate 82.8 per cent. of gross contracted rental income.

The leases for the East Kilbride Shopping Centre are predominantly on full internal repairing terms with each tenant responsible for their internal demise and a proportionate share of the landlord's costs of repairing and maintaining the common areas as well as management.

In addition to the recoverable service charge costs the Borrower will incur non-recoverable costs for professional fees relating to lettings, rent reviews, lease renewals, and costs in respect of void units.

Vacancy

The current level of vacancy in the East Kilbride Shopping Centre (including the Plaza Tower) is 130,288 sq ft (11.1 per cent.) by floor area. This is largely attributable to remaining vacant units in Centre West (16,632 sq ft) and the Borrower holding back a number of units in Southgate and specifically a 34,750 sq ft vacant unit in Princes Mall to allow future redevelopment. Vacancy at Plaza Tower currently stands at 24.4 per cent.

Leases

According to the Borrower and verified by a limited sample lease review undertaken by the Arranger’s solicitors, the shop units are let on the following broad types of agreement:

Rack Rental Leases: the majority of the units are let on traditional rack rental leases, which are arranged on modern institutionally acceptable terms. Rent reviews are typically five yearly on an upwards only basis.

Turnover Leases: some 11 units are currently let on turnover leases, under which a basic rent equal to an agreed percentage of rack rental value is payable, together with a specified percentage of gross turnover. Otherwise, these leases are arranged on broadly similar terms to the rack rental lease format.

Short form Leases: a number of units, kiosks and storage areas are occupied under short form leases. While these incorporate some element of rack rental and turnover lease terms, the majority may be terminated by either party on short notice with rolling break clauses and the rent reviews on an ad hoc basis.

Long Leaseholds: there are also a number of long leasehold interests let at a peppercorn rent where a premium was paid at the commencement of the lease.

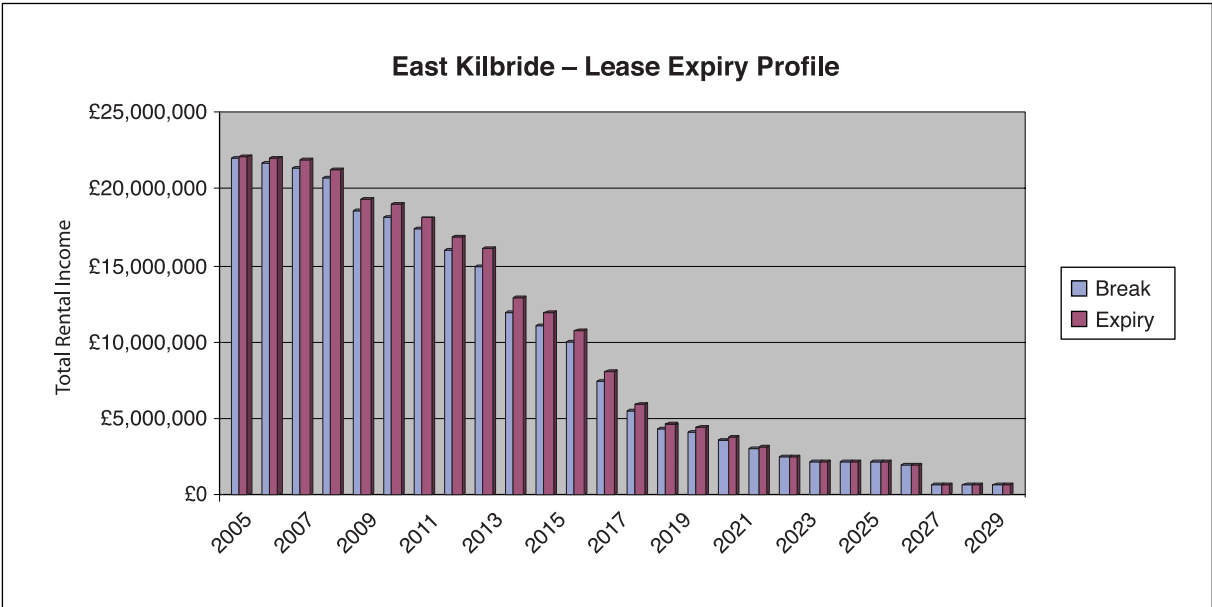
Lease Expiry Profile

East Kilbride Shopping Centre is a mature centre and the occupational leases have a wide range of lease expiry dates, from several months to in excess of 25 years. The main anchor stores, Debenhams, Bhs, Primark, WH Smith, Boots and Morrisons (trading as Safeway) have a weighted average lease expiry of June 2032.

Approximately 7.7 per cent. of space is let on leases with an unexpired term of 25 years or longer and which generate approximately 3.0 per cent. of the Centre’s total rental income. Leases with an unexpired lease term from six to ten years account for approximately 18.7 per cent. of space and approximately 30.94 per cent. of total rental income, while leases of under six years account for approximately 16.1 per cent. of space and approximately 15.6 per cent. of total rental income.

The overall weighted average lease term to expiry is 12.0 years, reducing to 11.0 years for the weighted average term to the first break in each lease.

Lease Expiry analysis:



Source: Eurohypo analysis

The table below summarises the terms of the leases to the six anchor tenants. There are no expiries prior to March 2015, with the final expiry in December 2070. None of these leases have break clauses.

		Rent	% Share	Area	% Space Occupied	Lease Expiry
Centre West	Debenhams	758,669	3.3%	123,510	10.5%	19-Mar-2028
Plaza	Bhs	540,000	2.3%	55,305	4.7%	25-Mar-2070
Plaza	Primark	500,000	2.2%	35,277	3.0%	26-Jan-2028
Plaza	WH Smith	320,000	1.4%	14,722	1.3%	31-Jul-2019
Plaza	Boots	335,463	1.5%	28,231	2.4%	25-Mar-2015
Olympia	Morrisons (t/a Safeway)	550,000	2.4%	39,654	3.4%	25-Mar-2023
Total		3,004,132	13.0%	296,699	25.3%	16-Jun-2032

Estimated net annual rent

According to Knight Frank LLP the estimated net annual rent of the East Kilbride Shopping Centre as at 31 December 2004 is £26.0 million per annum.

Catchment population

The total population within the ten minute drive time contour is 89,907. If the drive time contour is increased to 30 minutes, the catchment increases to 764,121, which encompasses the south of urban Glasgow.

East Kilbride has a footfall of 15 million people per annum. Business Blueprint have undertaken a survey of 500 visitors to the centre and compared their findings to the Business Blueprint benchmark (over 100 centres). The Business Benchmark Shopper Profile which is set out below indicates high or above average results in all of the following categories (2004 Data):

Category	East Kilbride	Vs Benchmark
Frequency of Visit	78 times per annum	High
Party Size	1.8	Above Average
Dwell Time.....	78 minutes	High
Conversion Rates	90%	High
Average Spend per head	£37.00	Very High
Customer Satisfaction.....	88%	High

(Source: The Scottish Retail Property Limited Partnership)

Competition

Glasgow is the regional capital. It has an estimated primary catchment population of 1,452,000 and is located 12 miles north-east of East Kilbride. Glasgow is regarded as one of the key retail centres within the United Kingdom and is currently second in the Experian UK Retail ranking, behind London's West End. City centre retail floor space is estimated to be 2.76 million sq ft.

There are five main shopping centres within Glasgow city centre.

- Buchanan Galleries on Buchanan Street. The centre extends to 660,000 sq ft and is anchored by John Lewis Department Store, H & M Hennes, Next, and Sainsbury's;
- Princes Square is also located on Buchanan Street. The centre extends to 95,000 sq ft with representation from Karen Millen, Ted Baker, French Connection and Monsoon;
- The St. Enoch Centre on Argyle Street anchored by Debenhams, Bhs and Boots. The centre extends to 715,000 sq ft. There is full planning permission for a 46,000 sq ft extension to the centre, which would extend into St. Enoch Square; and
- The Sauchiehall Centre, located on Sauchiehall Street, provides a total of 200,000 sq ft and provides stores for Primark, TK Maxx, JJB Sports and WH Smith.

There are a number of retail areas outside Glasgow town centre which also constitute competition for shoppers.

- At Braehead approximately 22.5 km (14 miles) north west of East Kilbride and five miles to the west of Glasgow city centre, Capital Shopping Centres plc owns an out-of-town shopping mall and adjoining retail park which opened in Autumn 1999. Braehead Shopping Centre totals over 1,000,000 sq ft. Tenants include Marks & Spencer, Sainsbury's, Bhs, Boots and Next.
- Glasgow Fort, situated at Junction 10 of the M8 Motorway, 24 km (15 miles) north of East Kilbride. The property extends to approximately 350,000 sq ft. Tenants include Next, Virgin, Boots, Borders Books, the Arcadia Group, River Island, Argos and Zara. In addition to the retail line-up, the park includes a number of cafes and restaurants as well as a Mecca Bingo and JJB Fitness centre.
- The Forge Shopping Centre in Parkhead is situated 12.7 km (8 miles) to the north east of East Kilbride. The centre is anchored by Asda, Dunnes and Littlewoods and accommodates a large number of national multiples and a cinema. The centre now extends to 453,000 sq ft following a 70,000 sq ft extension in 2004. A further extension is proposed of circa 35,600 sq ft over the service yard area.

There are two further proposed centres which may constitute future competition for shoppers:

- the pipeline Pollok Centre scheme (1,000,000 sq ft), located at junction 2 of the M77 to the south west of Glasgow; and
- the proposed development of the former Ravenscraig steelworks site near Motherwell (904,000 sq ft) to the south east of Glasgow.

ABERDEEN

Introduction

Bon Accord is the largest and most modern of Aberdeen's main shopping centres. Following its completion in 1990, Aberdeen's prime pitch shifted from the eastern end of Union Street. St. Nicholas provides a north-south link between Bon Accord and Union Street.

The Bon Accord and St. Nicholas Centre is bounded by a large John Lewis department store at one end (with a bridge link) and Marks & Spencer at the other. Although these stores are not owned by the Borrower, they provide anchors, such that the total retail floorspace provided at this combined prime city centre location totals over 750,000 square feet.

The property includes:

- national multiples including Next, the Arcadia Group, Primark and Dixons Group;
- a diversified tenant base with in excess of 80 shop leases;
- a food court and mall located cafes and restaurants;
- a vacancy rate of less than 1.5 per cent.;
- a prime city centre location; and
- approximately 1,100 car parking spaces.

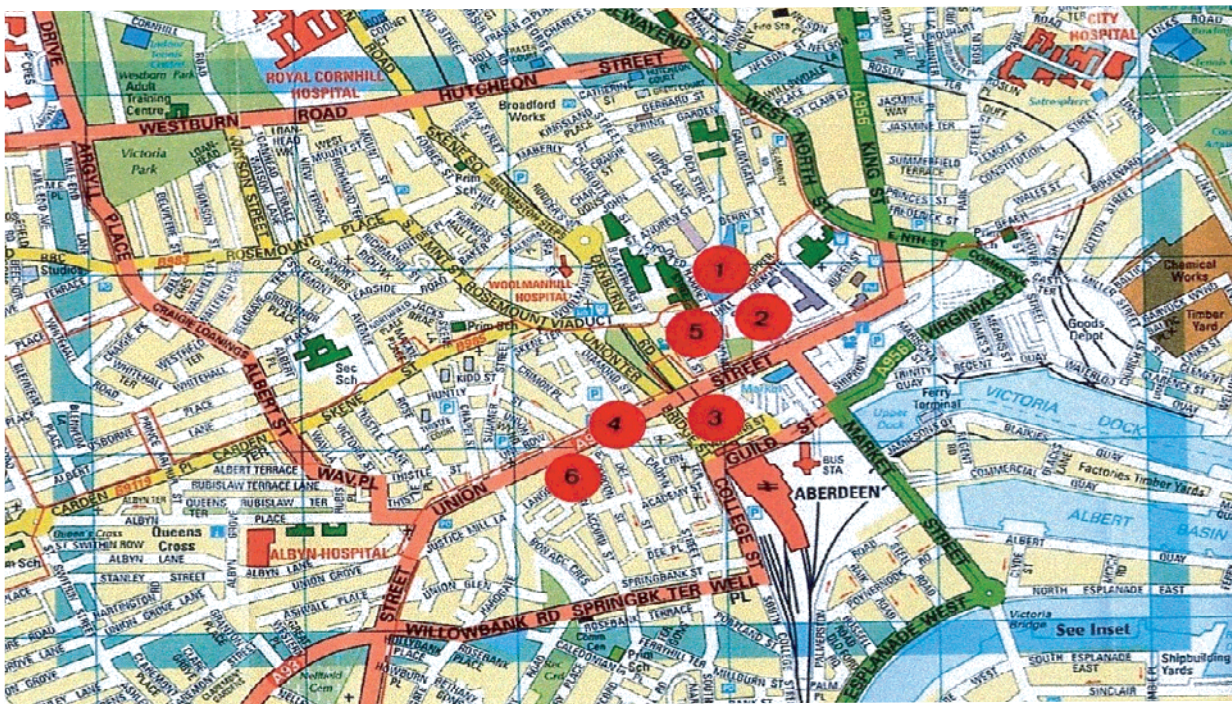
As per the Knight Frank LLP valuation dated 31 December 2004, net rent (inclusive of reversionary income from outstanding rent reviews) in respect of the Centre was £11.9 million per annum.

Market value

The Valuer has determined the market value of the heritable and leasehold interests in the Bon Accord and St. Nicholas Shopping Centres, subject to the existing tenancies, to be £233.4 million as at 31 December 2004.

Location

The City of Aberdeen is Scotland's third largest city and is the administrative capital and primary service centre for the Grampian region and the north-east of Scotland. Aberdeen has a resident population of approximately 306,000 people and a catchment population estimated to be approaching 500,000. The city is situated on the north-east coast of Scotland approximately 193km (120 miles) north of Edinburgh and 241km (150 miles) north-east of Glasgow.



Key of Competing Retail Centres

- | | | |
|-------------------------------|---------------------------------|-------------------|
| 1. Bon Accord Shopping Centre | 2. St. Nicholas Shopping Centre | 3. Trinity Centre |
| 4. Union Street | 5. The Academy | 6. The Galleria |

Access

The A90 trunk road provides access south to Dundee, approximately 107 km (66 miles) distant and to the motorway network of central Scotland. The city is connected to the main UK east coast rail line with regular services to London's Aberdeen International Airport is located approximately 11 km (8 miles) to the north of the city.

Pedestrian access to the Bon Accord and St. Nicholas Centre is provided from George Street at the junction of Schoolhill and Upper Kirkgate at the southern end of the centre, and from George Street at the northern end. In addition, the centre is linked to John Lewis (not within the ownership) at the northern boundary of the Centre via a covered bridge link at first floor level.

The Bon Accord and St. Nicholas Centre benefits from two multi-storey car parks located at Loch Street and Harriet Street. Together the car parks provide a total of 1,106 spaces with direct access to the Centre. The car parking comprises an important part of the city centre shopper's parking provision, benefiting from its position in the heart of Aberdeen town centre.

Surrounding area

The retail facilities of the city were previously centred on the traditional "high street" of Union Street. Shopping patterns have changed and the core retail area now comprises Union Street and the city's two main shopping centres – The Bon Accord and St. Nicholas Centre, and The Mall – Aberdeen. The Mall – Aberdeen (formerly known as The Trinity Centre) is situated on the southern side of Union Street.

Tenure

Bon Accord is held under the terms of a headlease from The City of Aberdeen Council (as holder of the heritable title) for a term expiring on 11 November 2138 (133 years unexpired). The main headlease is held by TNL as trustee for the Borrower.

St. Nicholas is principally held under the terms of a headlease from The City of Aberdeen Council (as holder of the heritable title) for a term expiring on 11 November 2132. There remains 127 years unexpired.

In addition 119,123 and 127 George Street, 41/43 Loch Street and Union Buildings, Gallowgate are held on heritable title.

Property description

Bon Accord was built in 1990 as a mainly enclosed two level shopping centre of 290,000 sq ft, of retail space. It is anchored by the linked John Lewis Department Store (not within the ownership). The centre includes 61 outlets, a food court at upper mall level and 1,106 car spaces in two multi-storey car parks.

The St. Nicholas Centre was opened in July 1985 and comprises approximately 80,000 sq ft of retail space forming 30 outlets and 14,109 sq ft of office space.

Also included in the Borrower ownership are the ancillary properties:

1 Berry Street (formerly Talisman House) is a separate, modern office building adjacent to the Loch Street car park at the rear (north) of the Bon Accord Centre;

1-5 George Street, 30-34 Upperkirkgate and 2, 30 and 34 Schoolhill. These are generally tenement buildings comprising seven shop units with a number of office suites on upper floors;

119/123/127 George Street comprises the heritable title to the basement and ground floor retail properties only within a five storey tenement building;

41/43 Loch Street, originally built in 1894, comprises a two storey, self-contained building which was substantially refurbished by the previous owners in 1994; and

the former Student Union Building fronting Gallowgate, which comprises a multi-storey building behind a period facade, with a more modern extension to the rear. This property has recently been acquired as it provides a redevelopment opportunity in conjunction with the east service yard area which it adjoins.

The Bon Accord and St. Nicholas Centre represents the dominant force in terms of current retail offer within the City and benefits from the strength of being positioned between John Lewis and Marks & Spencer. It comprises the most significant centre within Aberdeen and achieves the highest Zone 'A' rates in the city at £157.50 to £175 per sq ft.

Accommodation and tenants

The Bon Accord and St. Nicholas Centre is currently subject to approximately 80 shop leases. According to Knight Frank LLP, 97.7 per cent. of current gross income (excluding car parking and turnover related income) is secured against the covenants of Corporate (national multiple) retailers and banks with the proportion of income attributable to local, independent traders being only 0.9 per cent. The remainder of income (1.2 per cent.) is received from local government. The scheme is anchored by Next, Marks & Spencer's and John Lewis (the latter two do not form part of the demise).

	Gross contracted rental income	% share	Net lettable area (sq ft)	% share
Fashion	5,442,902	42.8%	156,843	42.5%
Miscellaneous	1,487,083	11.7%	83,334	22.6%
Catering & Food Stores.....	512,000	4.0%	8,493	2.3%
Services.....	1,066,301	8.4%	55,193	15.0%
Variety Stores	1,973,300	15.5%	47,680	12.9%
Sports	185,700	1.5%	2,831	0.8%
Electrical	820,200	6.5%	10,484	2.8%
Car Parking	1,217,700	9.6%	–	0.0%
Vacant	–	0.0%	4,154	1.1%
Total.....	<u>12,705,186</u>	<u>100.0%</u>	<u>369,012</u>	<u>100.0%</u>

(Miscellaneous comprises: Accessories, Advertising, Arts & Gifts, Books, Cards and Stationery, Chemists, Health and Beauty, Music and Videos, Opticians, Other, Soft Furnishings and Haberdashery and Toys Games and Computer Software).

(Source: Eurohypo analysis).

The ten largest tenants (excluding car parking) account for approximately 35.9 per cent. of gross contracted rental income. The largest tenant, Arcadia Group, trading as Wallis, Burton, Miss Selfridge and Evans, accounts for 9.1 per cent. of gross contracted rental income. The top 50 tenants account for 91.0 per cent. of gross contracted rental income.

The leases at Bon Accord and St. Nicholas are predominantly on full internal repairing terms with each tenant responsible for their internal demise and a proportionate share of the landlord's costs of repairing and maintaining the common areas as well as management.

In addition to the recoverable service charge costs the Borrower will incur non-recoverable costs for professional fees relating to lettings, rent reviews, lease renewals, and costs in respect of void units.

Vacancy

Within the Centre vacancy rates have been very low over the past five years.

There are currently three retail units identified as vacant and available for letting within the property, all within Bon Accord. Vacancy represents 1.5 per cent. of total space at Bon Accord; this excludes the recently acquired Union Building, Gallowgate which is held vacant pending formulation of re-development proposals.

Leases

The Bon Accord and St. Nicholas Shopping Centre is currently subject to approximately 80 shop leases. Over three-quarters of total rental income is derived from national multiple retailers, providing a general indication of overall covenant strength.

Lease Types

According to the Borrower and verified by a limited sample lease review by the Arranger's solicitors, the shop units are let on the following broad types of agreement:

Rack Rental Leases: the majority of the units are let on traditional rack rental leases, which are arranged on modern institutionally acceptable terms. Rent reviews are typically five yearly on an upwards only basis.

Turnover Leases: some two units are currently let on turnover leases, under which a basic rent equal to an agreed percentage of rack rental value is payable, together with a specified percentage of gross turnover. Otherwise, these leases are arranged on broadly similar terms to the rack rental lease format.

Short form Leases: a number of units, kiosks and storage areas are occupied under short form leases. While these incorporate some element of rack rental and turnover lease terms, the majority may be terminated by either party on short notice with rolling break clauses and the rent reviews on an ad hoc basis.

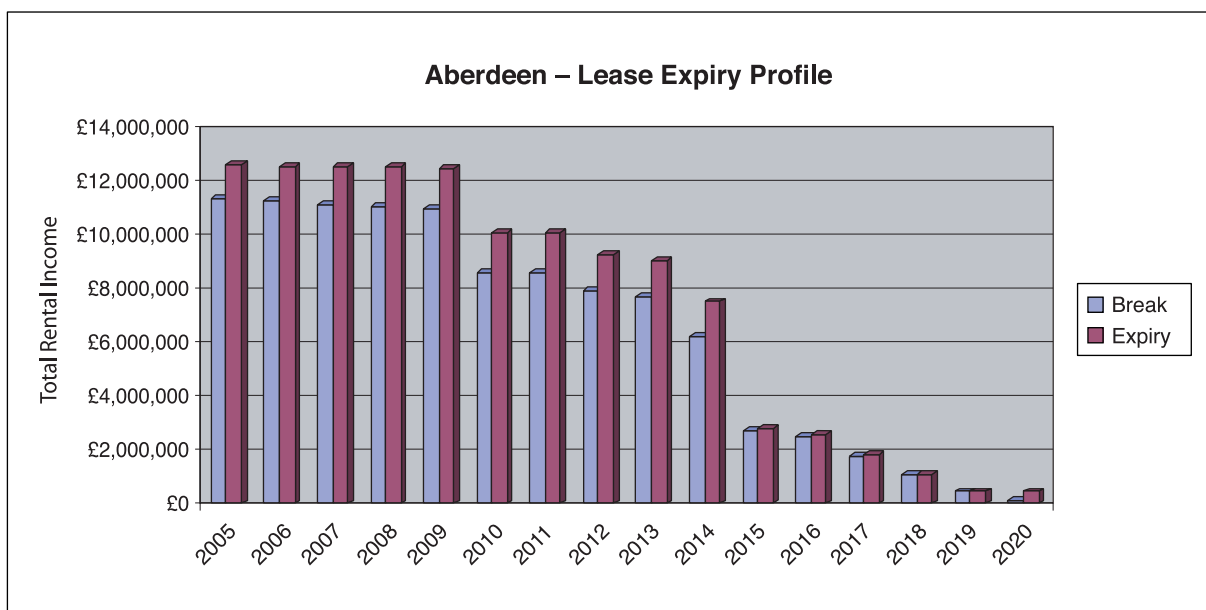
Long Leasehold: there are also a number of long leasehold interests (the stores occupied by Boots and Primark) let at a peppercorn rent where a premium was paid at the commencement of the lease.

Lease Expiry Profile

The Centre is mature and has a range of lease maturity dates.

Approximately 32.8 per cent. of space is let on leases with an unexpired term of 25 years or longer and which generate approximately 2.7 per cent. of the Centre's total rental income. Leases with an unexpired lease term from six to ten years account for approximately 46.7 per cent. of space and approximately 53.5 per cent. of total rental income, while leases of under six years account for approximately 3.2 per cent. of space and approximately 3.6 per cent. of total rental income.

The weighted average lease term to expiry is 10.7 years, reducing to 8.7 years for the weighted average term to the first break.



(Source: Eurohypo analysis)

Estimated net annual rent

According to Knight Frank LLP the estimated net annual rent of the Bon Accord and St. Nicholas as at 31 December 2004 is £14.0 million per annum.

Catchment population

Aberdeen by virtue of its geographic isolation has a substantial catchment area in which it is the dominant force with little direct competition. Given the larger travel distances involved in this part of the country, set out below are details relating to 30 and 60 minute travel times.

The total population within the 30 minute drive time contour is 242,321. If the drive time contour is increased to 60 minutes, the catchment increases to 336,583.

The Bon Accord and St. Nicholas Centre has an overall footfall of over 15 million people per annum. Business Blueprint have undertaken a survey of 500 visitors to the centre and compared their findings to the Business Blueprint benchmark (over 100 centres). The Business Blueprint Benchmark Shopper Profile which is set out below indicates Average or Above Average scores in each category, save for Dwell Time, and a High Customer Satisfaction rating (2004 data):

Category	Aberdeen	Vs Benchmark
Frequency of Visit	70 times per annum	Average
Party Size	1.7	Above Average
Dwell Time	53 minutes	Below Average
Conversion Rates	80 per cent.	Average
Average Spend per head	£23.90	Average
Customer Satisfaction	86 per cent.	High

(Source: The Scottish Retail Property Limited Partnership)

Competition

Aberdeen is the dominant shopping area in the North East of Scotland, with the nearest competitors at Dundee 66 miles to the south and Inverness 104 miles to the Northwest.

Within Aberdeen itself there are five key shopping areas. These are:

1. Bon Accord and St. Nicholas Centre
 2. Union Street
 3. The Mall (formerly Trinity Shopping Centre)
 4. The Academy
 5. The Galleria
- Union Street, a 0.75 mile retail street of the traditional open “High Street” style, is a busy, trafficked thoroughfare providing the main east-west link through the heart of the city centre. The prime stretch of Union Street is deemed to be to the east of the Trinity Centre and around the southern entrance to the St. Nicholas Centre.
 - The Mall – Aberdeen (formerly known as the Trinity Centre) is accessed off the southern end of Union Street, to the west of the St. Nicholas Centre. Anchored by Debenhams, this 175,000 sq ft centre is the lesser of the main shopping centres but still includes tenants such as Argos, Superdrug, Schuh and JD Sport.
 - The Academy opened in 1998 and extends to 68,000 sq ft. It is situated to the west of the Bon Accord Centre and to the north of The Mall on the corner of Belmont Street and Schoolhill. National multiples represented in the centre include the Pier and French Connection.
 - The Galleria is situated at the junction of Bon Accord Street and Langstane Place, approximately 50 metres south of Union Street. The Galleria is a small, specialist mall occupied by local independent traders.

VALUATION REPORT

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

Morgan Stanley & Co Limited as Lead Manager
25 Cabot Square
London E14 4QA

The Scottish Retail Property Limited Partnership
22 Grenville Street
St Helier
Jersey JE4 8PX

Opera Finance (Scottish Retail) Plc as Issuer
35 Great St. Helen's
London EC3A 6AP

The Bank of New York as Trustee
One Canada Square
London E14 5AL

15 April 2005

Dear Sirs

**THE SCOTTISH RETAIL PROPERTY LIMITED PARTNERSHIP
THE BON ACCORD & ST. NICHOLAS CENTRES, ABERDEEN, AND
THE EAST KILBRIDE SHOPPING CENTRES, EAST KILBRIDE (THE PROPERTIES)**

1. Introduction

We refer to instructions from Eurohypo AG London Branch contained in a letter of 24 January 2005, and our subsequent confirmation of instructions of 7 February 2005.

We are instructed to provide you with our opinion of the Market Value of The Properties as at 31 December 2004 and further, to confirm whether there has been any diminution in the value of the portfolio as at 15 April 2005.

2. Purpose and Basis of Valuation

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

We confirm that the Valuation has been undertaken by us, acting as External Valuers, in accordance with the RICS Appraisal and Valuation Standards (5th Edition) issued by the Royal Institution of Chartered Surveyors. In accordance with UKPS 5.4, we have made certain disclosures in connection with this valuation instruction with regard to our business relationship with The Scottish Retail Property Limited Partnership and the Partners therein which are included in section 12 below.

Our valuation has been carried out on the basis of Market Value in accordance with Practice Statement 3.2.

Market Value is defined as:

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

We also confirm that we have valued in accordance with the Listing Rules published by the Financial Services Authority.

The net annual rents for The Properties referred to in the attached schedules are defined in the Listing Rules as:

“the current income or income estimated by the valuer:

- (a) ignoring any special receipts or deductions arising from The Properties;
- (b) excluding Value Added Tax and before taxation (including tax on profits and any allowances for interest on capital or loans); and
- (c) after making deductions for superior rents (but not for amortisation), and any disbursements including, if appropriate, expenses of managing the property and allowances to maintain it in a condition to command its rent”.

In addition, we have provided our estimate of the net annual rent of The Properties. The estimated net annual rent is based on the current rental value of The Properties at the date of valuation. In respect of vacant accommodation, as at the date of valuation, the rental value reflects the rent we consider would be obtainable on a market letting.

3. Inspections

The Properties have been inspected by Knight Frank LLP during January 2005. We were able to inspect those parts of The Properties which were open to the public or to which we were able to gain access.

4. Taxation and Costs

No allowance has been made in our valuations for expenses of realisation or for taxation which may arise in the event of a disposal and our valuations and rentals are expressed exclusive of any VAT which may become chargeable. The Scottish Retail Property Limited Partnership has confirmed that the option to tax The Properties for VAT purposes has been exercised.

We have made deductions in our valuations to reflect purchasers’ acquisition costs.

5. Title

We have not had access to the title deeds to The Properties. Our valuation has been undertaken on the basis of information provided by The Scottish Retail Property Limited Partnership and its advisers. We have subsequently been provided with a final draft overview of the Title of The Properties prepared by Tods Murray based upon the Certificates of Title prepared variously by Messrs Dundas and Wilson dated 15 and 16 March 2004, Henderson Boyd Jackson, two of which were compiled in December 2004 and one dated 16 March 2004, and Semple Fraser dated 16 March 2004 together with final drafts of Addenda to those Certificates of Title to be dated on or about the Closing Date and the final draft Certificates of Title by Dundas and Wilson relating to the Union Building, Gallowgate, Aberdeen and 45/51 Princes Mall, East Kilbride, and confirm that there is nothing contained therein relating to underlying, onerous or unusual restrictions, covenant clauses or easements which materially affect our opinion of value. We have assumed that The Properties possess good and marketable titles and are free of any undisclosed rights of way, easements, restrictive covenants, disputes or onerous or unusual outgoings. We have assumed that The Properties are free of any mortgages, charges or other encumbrances and that they are capable of unrestricted transfer to third parties in the open market.

6. Planning

Enquiries of the appropriate planning authorities in respect of matters affecting The Properties have been made orally, although information has been given to us on the basis that it should not be relied upon and that formal searches should be made if more certain information is required.

In addition to the above enquiries, we have relied upon information provided by The Scottish Retail Property Limited Partnership and its advisers, and that contained within the Certificates of Title and made the assumption that The Properties have been constructed in full compliance with valid Town Planning and Building Regulation Approvals, and that where necessary they have the benefit of current Fire Certificates, and are not subject to any outstanding statutory notices as to their construction, use or occupation. We have made a further assumption that the existing uses of The Properties are duly authorised or established and that no adverse planning conditions or restrictions apply.

No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972 and we have assumed that The Properties comply with all relevant statutory requirements including the Disability Discrimination Act 1995.

7. Condition and Repair of The Properties

We have not carried out either structural or condition surveys on The Properties and are therefore unable to report that The Properties are free of any structural fault, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. No tests were carried out on any of the technical services. In the course of our inspections, due regard has been paid to the apparent state of repair and condition of The Properties and we have had regard to these factors in arriving at our valuation. In addition we have been provided with copies of Building Condition Surveys of the various parts of The Properties (with the exception of the Union Building, Gallowgate, Aberdeen, which has recently been acquired for redevelopment) undertaken on behalf of The Scottish Retail Property Limited Partnership either by Watts and Partners, Colliers CRE or Donaldsons. These were dated March 2004 with the exception of St. Nicholas Centre, Aberdeen undertaken in November 2003 and the more recent acquisitions in East Kilbride carried out on purchase in August 2004 (45-51 Princes Mall), November 2004 (Princes Square) and December 2004 (Southgate). We have reflected the contents of these reports in undertaking our valuations. We have made an assumption that save as disclosed in these reports, The Properties are free from any rot, infestation, deleterious materials and structural or design defects.

We have not made, or ourselves commissioned, any investigations to determine whether High Alumina cement, calcium chloride additive or other deleterious materials have been used in construction or any alterations to The Properties. For the purposes of this valuation, unless otherwise informed by the Partnership or its advisers, we have assumed that any such investigation would not reveal the presence of such materials in any adverse condition.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services, nor have drains been examined or tested. We have made an assumption that save as disclosed to us in the Building Condition Survey Reports, all services and equipment which form part of, and are necessary to the operation and letting of The Properties are functioning and in satisfactory condition.

8. Environmental Issues

We have not undertaken any mining, geological or other investigations into the sites of The Properties. We have been provided with copies of Environmental Reports produced by Waterman Environmental, dated February 2004 and December 2004, upon which we are instructed to rely. The Aberdeen reports exclude the properties outside the Bon Accord Centre (119, 123 & 127 George Street, 41/43 Loch Street and Union Building, Gallowgate). We have had regard to the conclusions in these reports and it is assumed that for the purposes of this valuation, none of The Properties are, or are likely to be, materially affected by land contamination; that the load bearing qualities of the sites are sufficient to support the buildings constructed thereon and that there are no ground conditions that would adversely affect future use, development or value of The Properties. We have assumed that the conclusions of the Waterman Environmental reports provided to us are complete and correct and that further investigations would reveal no new information considered sufficient to affect our opinion of value. We consider this assumption reasonable on the basis of the reports received and the age and current use of The Properties. However, should new information be revealed by future investigations this might affect the values now reported.

9. Floor Areas

We have not carried out a full measured survey. We have relied on floor areas provided by The Scottish Retail Property Limited Partnership or the respective partners in respect of the properties originally contributed to the Partnership by them. We have previously undertaken measurement of the Bon Accord Centre, on the occasion of its acquisition by Land Securities PLC, who contributed this element to the Partnership. We have compared a sample of the areas now supplied to area data previously held by us in respect of the Bon Accord Centre, Aberdeen, Princes and Olympia Malls, East Kilbride, where they have been compared with areas agreed at previous lettings, rent reviews and lease renewals, with which they are consistent. This information has been supplemented in respect of recent acquisitions (Union Building, Gallowgate, Aberdeen, Southgate and Princes Square, East Kilbride) by measured surveys undertaken by the Partnership's agents on acquisition.

In respect of those properties originally contributed to the Partnership by The British Land Company PLC (St. Nicholas Centre, Aberdeen, Centre West and Plaza Centres, East Kilbride) we have relied upon the areas now provided, together with those provided by the Company on formation of the Partnership. We understand that the information was warranted by the partners on formation of the Partnership.

In addition, we have undertaken sample measurements of six retail units within the St. Nicholas Centre, Aberdeen and 23 retail units located throughout the East Kilbride holdings to verify areas information from the above sources is within acceptable tolerances for valuation purposes, and can confirm this is the case.

We confirm that we were able to identify, and have included in our valuation, all units described in the tenancy information provided to us. We understand that area information supplied is expressed in terms of definitions in accordance with the Royal Institution of Chartered Surveyors Code of Measuring Practice. We have not been made aware of any tenant's improvements which may fall to be disregarded on rent review.

10. Tenancy Information

We have not read copies of the leases or the related documents, but have relied upon the tenancy information provided by The Scottish Retail Property Limited Partnership for the purposes of our valuation. We have also reviewed the Lease Summaries contained within the Certificates of Title, as amended by the Addenda, referred to in section 5 above, to verify the information provided. The summary of tenancy information is enclosed in the attached schedule.

We have not undertaken detailed investigations into the financial strength of the tenants. It has been assumed that the tenants are financially in a position to meet their obligations and there are no arrears of rents or breaches of covenants. However, our valuation reflects the type of tenants actually in occupation, or likely to be in occupation, and the market's general perception of their credit worthiness.

11. Valuation

In our opinion, the current aggregate Market Value of the interests held in The Properties by The Scottish Retail Property Limited Partnership, as at 31 December 2004, subject to the terms of the existing tenancies, was in the sum of £600,150,000 (Six Hundred Million, One Hundred and Fifty Thousand Pounds). Details of the individual property values are shown on the attached schedules. The properties are of mixed heritable (freehold) and long leasehold tenure as described in the schedules. The aggregate value allocated according to tenure is as follows:

Value by tenure:	£	%
Heritable (Freehold) Properties	293,175,000	48.9
Long Leasehold Properties	306,975,000	51.1
Total	600,150,000	100

We are also able to confirm that we are of the opinion that since the date of the valuation there has been no diminution in the aggregate value of The Properties as at 15 April 2005.

12. Disclosure

Knight Frank LLP is appointed by The Scottish Retail Property Limited Partnership as External Valuer in respect of the provision of valuations for financial reporting purposes of the Partnership, in which the Partners are direct or indirect subsidiaries of Land Securities PLC and The British Land Company PLC, and is also External Valuer to Land Securities PLC. In the course of our role as External Valuer, we have previously provided valuations of the Bon Accord Centre, Aberdeen, Olympia Mall and Princes Mall, East Kilbride to Land Securities PLC and have undertaken valuations of the holdings of the Partnership since its formation in March 2004. Having made that disclosure, we are not aware of any conflicts of interest in undertaking this valuation and have no other current or recent fee earning involvement with the Properties, the borrower or any other party connected with this transaction. We confirm that in relation to Knight Frank LLP's preceding financial year, the total fees paid by The Scottish Retail Property Limited Partnership or the Partners therein (or their parent companies), as a percentage of the total fee income of Knight Frank LLP, was less than 5 per cent.

13. Confidentiality

This report is issued only and solely for the purposes of the Offering Circular. The valuation is for the use only of the parties to whom this report is addressed, and no responsibility is accepted to any third party for the whole or any part of its contents.

Yours faithfully

PPS Barnard BSc (Hons) FRICS

TP Townsend MRICS

**For and on behalf of
Knight Frank LLP
Chartered Surveyors
20 Hanover Square
London W1S1HZ**

SCHEDULE 1 PROPERTIES HELD AS AN INVESTMENT

Address	Description, Age and Tenure	Terms of Existing Tenancies	Current Net Annual Rents	Estimated Net Annual Rents	Market Value at 31 December 2004
East Kilbride Shopping Centres, East Kilbride, Lanarkshire.	<p>The East Kilbride Shopping Centres, built between the 1960's and 2002 comprise a fully managed shopping centre encompassing over 90% of the retail floor space of East Kilbride Town Centre, accounted for by the amalgamation of the town's six covered shopping areas - Centre West, Plaza Centre, Southgate, Princes Square, Olympia Mall and Princes Mall which are now operated as an integrated whole under one ownership. Together the Property provides some 109,160 sq m (1,175,000 sq ft) including some 272 retail outlets, 14,719 sq m (158,440 sq ft) offices, two food courts, parking for some 3,288 cars, bus station, multi-screen cinema, bingo and social club, two public houses, nightclub, ice rink and public library.</p> <p>Centre West comprises some 26,000 sq m (280,000 sq ft) of newly built retail and associated facilities completed in March 2003. It provides two trading levels with 42 units anchored by a 11,473 sq m (123,500 sq ft) Debenhams department store and includes a food court and 1,250 space multi-storey car park.</p> <p>The Plaza, originally constructed in the 1970's and refurbished in 1989-1990. This area was further upgraded with a new atrium added at the western end in preparation for the connection to Centre West. This section provides some 22,760 sq m (245,000 sq ft) with anchor stores of BHS, Primark, WH Smith and Boots and includes an office tower above providing some 13,840 (149,000 sq ft) of accommodation.</p> <p>Southgate Mall, originally built in the 1960's was redeveloped and enclosed in the mid 1980's and provides some 4,259 sq m (45,843 sq ft) of accommodation including 14 retail units together with a first floor bingo and social club, and includes Caledonia House with some 386 sq m (4,150 sq ft) of offices.</p> <p>Princes Square was substantially re-constructed in 1997 incorporating some original 1960's structures and provides some 8,154 sq m (87,769 sq ft) of retail accommodation with 34 units.</p> <p>The Olympia Mall, built in the late 1980's comprises some 32,520 sq m (350,000 sq ft) including a food supermarket, major store unit, 48 shops, multi-screen cinema, public house and nightclub, food court, ice rink and public library.</p> <p>Princes Mall was originally constructed in the 1960's as an open precinct and was substantially enclosed and refurbished in the early 1980's. It provides some 14,458 sq m (155,630 sq ft) of retail accommodation including 2 major store units, 65 shops, public house and 950 sq m (10,225 sq ft) of offices. This section adjoins the newly completed bus station.</p> <p>Mainly Heritable.</p> <p>Part Long Leasehold: Centre West is held under the terms of a lease of 99 years with an option to extend for a further 99 years, thus giving 198 years, at a geared ground rent of 12% of net rents receivable subject to a minimum ground rent of £600,000 per annum.</p>	<p>The properties are multi-tenanted, mainly on effectively full repairing and insuring terms (with landlord's outgoings recovered by way of service charge arrangements) with original lease terms typically between 10 and 25 years, with upward only reviews every fifth year. In some instances, and particularly in respect of Centre West, a modern form of standardised turnover related lease has been employed. In such instances, reviews of base rent are geared, typically to 80% of market rent. At the date of valuation some 63% of gross income is secured for greater than 10 years and the average weighted lease term to the earliest of break or expiry is 12.2 years. Tenants include Debenhams, Next, Zara, Morrisons, BHS Boots, Superdrug, Primark, HBOS, HMV, Woolworths, John David Group, WH Smiths, Etam and New Look. At the date of valuation 23 retail units were vacant and available for letting. Within the Plaza Tower office building approximately 25% by floorspace was vacant and available for letting.</p> <p>At the valuation date, a number of rent review and lease renewal negotiations were outstanding. On the basis of assumed settlements adopted for valuation purposes we estimate the Current Net Annual Rent will increase to £20,902,660 when these negotiations are completed.</p>	£20,626,053	£25,995,508	£376,750,000

Address	Description, Age and Tenure	Terms of Existing Tenancies	Current Net Annual Rents	Estimated Net Annual Rents	Market Value at 31 December 2004
<p>The Bon Accord Centre, The St. Nicholas Centre, George Street, Gallowgate, Schoolhill, and Upper Kirkgate, Aberdeen.</p>	<p>The Bon Accord Centre: Built 1990, mainly enclosed two level shopping centre 25,085 sq m (270,000 sq ft) anchored by a John Lewis Department Store (not within ownership). The centre includes 61 outlets, food court at upper mall level and 1,106 car spaces in two multi-storey car parks. The property includes additional retail holdings in George Street and Loch Street totalling some 565 sq m (6,080 sq ft) and a former student union building, Gallowgate, of 4,213 sq m (45,350 sq ft).</p> <p>The St. Nicholas Centre: Built 1985 and comprises approximately 7,432 sq m (80,000 sq ft) of retail space forming 30 outlets and 1,309 sq m (14,100 sq ft) of office space. The property provides a covered mall at ground level along the main retail axis leading to the Bon Accord Centre, with an open retail deck area at first floor and offices above.</p> <p>Together the Centres provide some 38,550 sq m (415,000 sq ft) net lettable.</p> <p>Mainly Long Leasehold:</p> <p>Bon Accord Centre: For a term expiring 11.11.2138 at a rental being the greater of £40,000 or 16.25% of the amount by which net rental income exceeds £7,069,615 p.a.</p> <p>St. Nicholas Centre: For a term expiring 11.11.2132 at a rental being the greater of £15,000 per annum or 13.71% of the amount by which net rental income exceeds £2,051,072 p.a. An additional co-terminous under lease interest is held of Units E5/5a as a result of which the income from underletting is received which is not subject to the principal headlease ground rent provisions.</p> <p>Part Heritable:</p> <p>119,123 & 127 George Street 41/43 Loch Street Union Building, Gallowgate</p>	<p>The properties are multi-tenanted, mainly on effectively full repairing and insuring terms (with landlord's outgoings recovered by way of service charge arrangements) with original lease terms typically between 10 and 25 years with upward only reviews every fifth year. At the date of valuation some 52% of gross income is secured for greater than 10 years and the average weighted lease term to the earliest of break or expiry is 9.3 years. Tenants include Next, Woolworths, Etam, WH Smith, Oasis, River Island and Dixons.</p> <p>The office building at 1 Berry Street is operated as a serviced offices facility under a management agreement with Regus. Car parks are operated by the Partnership.</p> <p>At the valuation date, three retail units were vacant and available for letting, all within the Bon Accord Centre. The former student union building is held vacant for possible future redevelopment.</p> <p>At the valuation date, a number of rent review and lease renewal negotiations were outstanding. On the basis of assumed settlements adopted for valuation purposes we estimate the Current Net Annual Rent will increase to £11,913,486 when these negotiations are completed.</p>	<p>£11,727,751</p>	<p>£13,987,000</p>	<p>£223,400,000</p>

CREDIT STRUCTURE

The following is a summary of certain material provisions of the principal documents relating to the transactions described herein and is qualified in its entirety by reference to the detailed provisions of the Transaction Documents. Prospective Noteholders should not assume that additional material covenants will be provided for in the Transaction Documents, other than those summarised herein.

1. Origination Process

In connection with the origination of the Loans, Eurohypo (as Loan Arranger) ensured that certain due diligence procedures were undertaken such as would customarily be undertaken by a prudent lender making loans secured on commercial properties of this type, so as to evaluate the Borrower's ability to service its loan obligations and so as to analyse the quality of the Properties. In order to do this, an analysis of the contractual cashflows, occupational tenant covenants and lease terms and the overall quality of the real estate was undertaken by or on behalf of Eurohypo (as Loan Arranger). Risk was assessed by stressing the cashflows derived from underlying tenants and the risks associated with refinancing the amount due upon the maturity of the Loans. The property investment experience and expertise of the Borrower's sponsors were also factors taken into consideration in the lending analysis.

2. Legal Due Diligence

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

Eurohypo's English, Scottish and Jersey solicitors and Eurohypo also obtained general information relating to the proposed Loans including details of the Borrower's partners and the shareholders of each other Obligor; the accounts to be operated in connection with the proposed facility; arrangements for the collection of rents and/or management of the Properties including details of managing agents and insurance of the Properties.

(a) Title and Other Investigation

Certificates of title (the **Certificates of Title**) being substantially in the City of London Law Society's standard form (subject to necessary adjustment to meet the requirements of Scots law) will be issued on or before the Closing Date by the Borrower's solicitors, for the benefit, among others, of Eurohypo and the Issuer.

The investigation required to provide the Certificates of Title included the usual review of title documentation and Land Register of Scotland and/or Sasine Register (together the **Registers of Scotland**) entries (including any lease under which the Properties are held) together with all usual Registers of Scotland, Local Authority and other appropriate searches and enquiries. In addition, all leases and tenancies affecting the Properties (save for tenancies where the rental income was less than £2,000 per annum) were reviewed subject to certain limited exceptions and the basic terms (including, among other things, details of rent reviews and tenant's determination rights) were included in the Certificate of Title.

Eurohypo's solicitors also reviewed the Certificates of Title issued by the Borrower's solicitors (in relation to title matters and selected occupational leases) and confirmed the adequacy of the form and content of the Certificates of Title and highlighted any matters arising therefrom that they considered should be drawn to the attention of Eurohypo and the Valuer.

(b) Capacity of Obligors

Eurohypo's English and Jersey solicitors satisfied themselves that each Obligor was validly incorporated or established, had sufficient power and capacity to enter into the proposed transaction, whether it was the subject of any insolvency proceedings, and generally that each Obligor had complied with any necessary formalities.

(c) Registration of Security

Following drawdown of the Loans, the English, Jersey and Scottish solicitors acting for Eurohypo (as Loan Arranger) will ensure that all necessary registrations in connection with taking security are attended to within all applicable time periods and appropriate notices served (where required by the terms of the Credit Agreement). The title deeds in relation to the Properties will be held by the Borrower's English solicitors to the order of the Facility Agent. The Borrower's solicitors will retain certain commercial leases for management purposes but will do so on the basis that they are held to the order of the Borrower's English solicitors.

(d) Environmental and Structural Reports

Environmental reports previously prepared in relation to the Properties (other than the Properties at 119-127 George Street, 41-43 Loch Street, 30-38 George Street, and the Union Buildings, Gallowgate Aberdeen) and provided to the Facility Agent for information purposes. The reports confirm that the environmental position is considered satisfactory for current uses.

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

3. Credit Agreement

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

(a) Loan amount and drawdown and further advances

The outstanding principal balance of the Loans as at the close of business on the Closing Date will be £430,000,000.

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

No such additional lending under the Facility will be permitted unless the Original Lender consents to such additional lending and the Rating Agencies confirm that the ratings as at the Closing Date, of each class of Notes will not be downgraded, withdrawn or qualified.

(b) Conditions precedent

The Issuer's obligation to make the Loans under the Credit Agreement will be subject to the Facility Agent first having received, in the usual manner, certain documents as conditions precedent to funding in form and substance satisfactory to it. The documentation required will include, among other things: constitutional documents and board minutes for the Borrower, each Obligor, each Limited Partner and any other Subordinated Creditor, a valuation in respect of the Properties, evidence of insurance cover in respect of the Properties, an undertaking that all title documents relating to the Borrower's and the Propertycos' interest in the Properties and all occupational leases are held to the order of the Facility Agent, copies of all title searches related to the Properties, security documents (and releases of existing security other than as permitted pursuant to the Finance Documents), in respect of each Obligor which is registered for VAT, a copy of that Obligor's VAT registration certificate or a copy of the VAT group registration certificate including that Obligor and evidence that the Borrower, TPL and TPL2 have each elected to waive the exemption in relation to the Properties in which it holds an interest and all relevant legal opinions and notices in connection with certain of the Security Documents.

(c) Interest payments

Interest under the Loans will be paid quarterly in arrear on 31 January, 30 April, 31 July and 31 October in each year in respect of successive Loan Interest Periods (subject to adjustment for non-business days). The first Loan Interest Payment Date will be 31 July 2005.

Unless previously repaid, the Loans will be repayable in full on the Loan Interest Payment Date in July 2012.

(d) Prepayments

- (i) The Credit Agreement will permit the Borrower to prepay any Loan on any Loan Interest Payment Date in whole or in part (subject to a minimum of £5,000,000 and integral multiples of £1,000,000) by giving not less than 14 days' prior written notice to the Facility Agent.

Such prepayments will be applied against the Loans in such order as the Borrower may select or, failing any selection, first in prepayment of the Tranche D Loan, second in prepayment of the Tranche C Loan, third in prepayment of the Tranche B Loan and fourth in prepayment of the Tranche A Loan.

- (ii) The Borrower must prepay the Loans if it becomes unlawful in any relevant jurisdiction for the Lender to fund or maintain its share in any Loan.
- (iii) If all or any part of a Property is subject to a compulsory purchase order and the compensation received is in excess of £1,000,000 then the Borrower must apply the compensation received (rounded down to the nearest £50,000) to prepay the Loans on the immediately following Interest Payment Date or the date chosen by the Borrower (if earlier). Such prepayments will be applied against the Loans first in prepayment of the Tranche A Loan, second in prepayment of the Tranche B Loan, third in prepayment of the Tranche C Loan and fourth in prepayment of the Tranche D Loan.
- (iv) If all or part of a Property is disposed of (other than a disposal permitted under the terms of the Credit Agreement) then the Borrower must apply:
 - (A) in the case of a disposal of part of a Property, 115 per cent. of the amount set out in the Credit Agreement in respect of each Property (the **Allocated Debt Amount**); and
 - (B) in the case of a disposal of the whole of a Property, the net disposal proceeds, towards repaying the Loans, PROVIDED always that if the net disposal proceeds of that disposal (whether a disposal of the whole or a part of the Properties) are sufficient to repay all of the Loans, the Borrower must prepay the Loans in full and pay all other amounts payable to the Finance Parties under the Finance Documents. The Borrower may (at its option) apply the proceeds of a disposal permitted under the Credit Agreement in repaying the Loans.

In the case of a disposal of part of a Property, 15 per cent. of the Allocated Debt Amount will be applied to prepay the Loans in a sequential order. The Allocated Debt Amount will be applied to prepay the Loans *pro rata*.

(e) *Hedging obligations*

Under the terms of the Credit Agreement, the Borrower will be required to maintain (subject to the limits described below) interest rate hedging arrangements to protect against the risk that the interest rate payable by the Borrower under the Loans may increase to levels which would be too high, bearing in mind the Borrower's income (which comprises, primarily, rental income in respect of the Properties and which does not vary according to prevailing interest rates).

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

In addition, under the terms of the Credit Agreement, the Hedging Arrangements must at any time have an aggregate notional amount not less than the aggregate amount of the Loans then outstanding, such that at all times the Borrower's obligations under the Loans will be fully hedged against adverse movements in prevailing interest rates.

If at any time the notional principal amount of the Hedging Arrangements exceeds the aggregate amount of the Loans then outstanding, the Borrower must, (in cases where the notional principal amount of Hedging Arrangements exceeds the aggregate amount of the Loans by more than £1,000,000 except where the Loan Security has been enforced), reduce the notional principal amount of the Hedging Arrangements by an amount so that it no longer exceeds the aggregate amount of the Loans then outstanding.

Neither the Hedge Counterparty nor the Borrower may amend or waive the terms of any Hedging Arrangements without the consent of the Facility Agent save to the extent that any amendment or waiver would not have a Material Adverse Effect.

Neither a Hedge Counterparty nor the Borrower may terminate or close out any Hedging Arrangements (in whole or in part) except:

- (i) in case of a reduction of the notional principal amount of the Hedging Arrangements as described above;
- (ii) in the case of illegality;

- (iii) where all outstanding amounts under the Finance Documents (other than the Hedging Arrangements) have been paid in full;
- (iv) as permitted by the terms of the Hedging Arrangements or with the consent of the other party to such Hedging Arrangements (whether a Hedge Counterparty or the Borrower, as the case may be), in each case together with the consent of the Facility Agent (such consent not to be unreasonably withheld or delayed);
- (v) upon the request of the Facility Agent as a result of the Hedge Counterparty to the Hedging Arrangements failing to comply with the provisions of the relevant Hedging Arrangements regarding a Rating Event (as defined below) in which case the Borrower shall comply with such request; or
- (vi) where such termination or closing out would not have a Material Adverse Effect.

If at any time any Hedge Counterparty in respect of the Hedging Arrangements ceases to have the requisite rating specified above and/or following such a cessation experiences a further ratings downgrade specifically described in the Hedging Arrangements (a **Rating Event**), it will be required to take certain measures specified by the relevant Rating Agencies to address any impact of any such Rating Event on the Notes. The required measures will vary depending upon the nature of the Rating Event and will include the relevant counterparty:

- (i) transferring collateral to the Borrower;
- (ii) transferring all of its rights and obligations with respect to the relevant Hedging Arrangements to a replacement third party; and/or
- (iii) procuring a third party to become a co-obligor or guarantor in respect of its obligations under the relevant Hedging Arrangements,

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

(f) Hedging Loans

If the Borrower fails to pay an amount due and payable under any Hedging Arrangements and such failure constitutes an Event of Default, the Issuer may, pursuant to the terms of the Credit Agreement make a loan to the Borrower to enable it to pay that 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 Facility Agent by notice to the Borrower cancels any outstanding commitments under the Credit Agreement and/or demands that all or part of the Loans together with accrued interest and all other amounts accrued under the Finance Documents become immediately due and payable and/or demands that all or part of the Loans become payable on demand. A Hedging Loan will bear interest at a rate to be that which expresses as a percentage rate per annum the cost to the Issuer of funding that Hedging Loan by making an Income Deficiency Drawing (as defined below) under the Liquidity Facility Agreement and will be repaid from monies standing to the credit of the Rent Account or the General Account, from the proceeds of a loan from a Subordinated Creditor to the Borrower or otherwise in accordance with the Credit Agreement.

(g) Deferrals

If on any date which is up to ten Business Days after an Interest Payment Date there are insufficient moneys standing to the credit of the Debt Service Account to pay amounts due to a Hedge Counterparty as a result of termination or closing out or amount due in respect of the Securitisation Fee, then those amounts shall be deferred until the next Interest Payment Date and the remaining moneys in the Debt Service Account shall be applied towards the termination or closing out cost or the Securitisation Fee to the extent of the remaining monies.

(h) Guarantee and indemnity

Each Guarantor has, pursuant to the Credit Agreement, jointly and severally guaranteed the obligations of the Borrower under the Finance Documents and has undertaken to pay any amount not paid by the Borrower when due under the Finance Documents and to indemnify each Finance Party immediately on demand against any loss or liability suffered by that Finance Party if any guaranteed obligation is or becomes unenforceable, invalid or illegal.

The recourse of the Finance Parties to each Guarantor will be limited to the assets of each Guarantor which are the subject of any security created by a Security Document, including, without limitation,

certain revenue earned from or in connection with such assets and all value of a capital nature obtained from those assets.

(j) *Representations and warranties*

The representations and warranties to be given by each Obligor in relation to itself or (if it so states) the Borrower, as applicable, under the Credit Agreement, as of the date of the Credit Agreement and the date of drawdown, will include, among other things, the following statements to the following effect:

- (i) the Borrower is duly registered and a validly existing limited partnership under the laws of Jersey and has the power to own its assets and carry on its business and to enter into, perform and deliver the Transaction Documents and the Transaction Documents will, when executed, constitute legal, valid, binding and enforceable obligations of the Borrower (subject to certain qualifications) and will not conflict with any applicable law or regulation or with any document binding on it or any of its assets or the constitutional documents of the Borrower, to an extent or in a manner which has or would have a Material Adverse Effect;
- (ii) no Event of Default is outstanding or would result from the execution of, or the performance of any transaction contemplated by, the Transaction Documents;
- (iii) subject to due registration of the Security Documents, all authorisations required in connection with entry into, performance, validity and enforceability of the Transaction Documents have been obtained or effected and are in full force and effect;
- (iv) legal or beneficial title to each Property is held by an Obligor and save as disclosed in any report or certificate of title delivered to the Facility Agent the relevant Obligor has good and marketable title to its interests in the Properties, in each case free from any security interests (other than those set out in the Security Documents or otherwise permitted by the Finance Documents);
- (v) the security conferred by each Security Document constitutes a first priority security interest over the assets referred to in each agreement and the assets are not subject to any prior or *pari passu* security interests;
- (vi) no litigation, arbitration or administrative proceedings involving any Obligor are current or, to its knowledge, pending or threatened which have or, if adversely determined, would have a Material Adverse Effect;
- (vii) all factual information supplied by the General Partner or on its behalf to the Loan Arranger, the Original Lender, the original Hedge Counterparty and the Facility Agent in writing in connection with the Transaction Documents was true and accurate in all material respects as at its date or (if appropriate) as at the date (if any) at which it is stated to be given;
- (viii) all factual information supplied by the General Partner or on its behalf to the Valuer in writing for the purposes of the initial valuation was true and accurate in all material respects as at its date or (if appropriate) as at the date (if any) at which it is stated to be given;
- (ix) the financial statements of the Borrower delivered to the Facility Agent as a condition precedent to the making of the Loans have been prepared in accordance with the Partnership Agreement and fairly represent the financial condition of the Borrower as at the date to which they were drawn up except that the Properties are included therein at a cost of £525,795,000 while the market value for the Properties (as stated in the initial valuation) was £600,150,000;
- (x) since the date it was established, the Borrower has not carried on any business (other than the acquisition, ownership, development, letting, licensing, extension, refurbishment, financing and management of its interests in the Properties and the direct or indirect ownership or control of the Guarantors (other than the General Partner));
- (xi) as at the drawdown date:
 - (A) the Limited Partners are the only limited partners of the Borrower;
 - (B) 50 per cent. of the interests of the Limited Partners in the Borrower is owned or controlled directly or indirectly by Land Securities Group PLC; and
 - (C) 50 per cent. of the interests of the Limited Partners in the Borrower is owned or controlled directly or indirectly, by The British Land Company PLC; and

- (xii) as at the drawdown date:
 - (A) the General Partner is the only general partner of the Borrower;
 - (B) 50 per cent. of the issued share capital of the General Partner is owned or controlled, directly or indirectly, by Land Securities Group PLC; and
 - (C) 50 per cent. of the issued share capital of the General Partner is owned or controlled, directly or indirectly, by The British Land Company PLC.

(j) *Undertakings*

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

- (i) to supply details of any litigation, arbitration or administrative proceedings involving any Obligor which are current, threatened or pending and which have, or would, if adversely determined, have a Material Adverse Effect;
- (ii) to notify the Facility Agent promptly of any Event of Default;
- (iii) to procure that each Obligor's payment obligations under the Finance Documents rank at least *pari passu* with all its other present and future unsecured obligations (other than obligations mandatorily preferred by law) and not to create or permit any mortgage, standard security, pledge, lien, charge, assignment or assignation in security, hypothecation or security interest or any other agreement or arrangement having similar effect (a **Security Interest**) to arise over any of its assets other than:
 - (A) any Security Interest constituted by the Security Documents;
 - (B) any lien arising by operation of law (or by an agreement evidencing the same) and in the ordinary course of trading; and
 - (C) any Security Interest created with the prior written consent of the Facility Agent;
- (iv) not to enter into any amalgamation, demerger, merger or reconstruction without the consent of the Facility Agent provided that this shall not prevent, and consent shall not be required for, any change in the identities of any of the Limited Partners;
- (v) not to make any loans or provide any other form of credit or to give any guarantee or indemnity to any person other than:
 - (A) in the ordinary course of business;
 - (B) in the form of investments or bank deposits;
 - (C) to a Subordinated Creditor out of monies in the General Account in circumstances where no Event of Default is outstanding or would result from the loan; and
 - (D) a loan to another Obligor,
without the prior written consent of the Facility Agent (such consent not to be unreasonably withheld or delayed);
- (vi) not to incur any unsubordinated financial indebtedness other than:
 - (A) any financial indebtedness incurred under the Finance Documents;
 - (B) loans made by an Obligor to another Obligor;
 - (C) finance leases in respect of equipment entered into in the ordinary course of business;
 - (D) (in the case of the Borrower) any Subordinated Loan; or
 - (E) any financial indebtedness incurred with the prior written consent of the Facility Agent (such consent not to be unreasonably withheld or delayed);
- (vii) not to enter into any contracts other than the Transaction Documents or contracts in connection with the construction, acquisition, ownership and management of the Properties or otherwise as permitted under the Credit Agreement;

- (viii) not to declare or pay any dividend or make any distribution in respect of its shares, other than a payment by or on behalf of any Obligor (other than the Borrower) or a Subordinated Creditor out of monies in the General Account in circumstances where no Event of Default is outstanding and no Event of Default would result from the payment;
- (ix) not to carry on any business other than, where relevant, the ownership, management, servicing, financing, letting, licensing, development, refurbishment and extension of the Properties (including the acquisition of additional property titles for this purpose);
- (x) to maintain insurance on the Properties on a full reinstatement value basis together with a further amount equal to 12.5 per cent. of the full reinstatement cost and not less than three years' loss of rent on all occupational leases (other than minor occupational leases) together with third party liability insurance and insurance against acts of terrorism and to procure that the Facility Agent's interest is noted on all relevant insurance policies and to use reasonable endeavours to procure that the Facility Agent's interest is noted on any insurance policy maintained by any tenant or superior landlord at the Properties (except any policy in respect of third party liability) provided that the Borrower shall not be obliged to maintain such insurance if:
 - (A) such insurance is not commercially available in the UK or European insurance markets;
 - (B) the cost of such insurance is so great that, in the reasonable opinion of the General Partner (acting on behalf of the relevant Obligor), other regional shopping and leisure centres are not at the relevant time obtaining or maintaining such insurance;
 - (C) such insurance is not available as a result of such exceptions, conditions and limitations as at the relevant time are commonly imposed by insurers agreeing to give such insurance; or
 - (D) the Facility Agent (acting reasonably) agrees that such insurance need not be obtained or maintained;
- (xi) to ensure that all insurances required under the Credit Agreement are (in respect of those insurances in place as at the Closing Date) or any renewal thereof) with Royal and SunAlliance Insurance Plc or an insurance company or underwriter which has the ratings referred to below or (in respect of any replacement insurance) with an insurance company or underwriter (or a group of insurance companies or underwriters) that:
 - (A) has a long term credit rating or a financial strength rating (or, in the case of a group of insurance companies or underwriters, the weighted average thereof) of at least "A" (or its equivalent) by Fitch and "A" (or its equivalent) by S&P in respect of any other provider of insurance; or
 - (B) to the extent no insurance company or underwriter has the rating referred to in paragraph (A) above, is otherwise acceptable to the Facility Agent (acting reasonably);
- (xii) not to enter into any contract in connection with the refurbishment, remodelling, extension of existing space or other development of the Properties (the **Works**) where the actual and contingent costs of such works exceed £20,000,000 in aggregate in respect of each shopping centre, unless:
 - (A) if the actual and contingent costs of those Works exceed £20,000,000 in aggregate in respect of each shopping centre:
 - I. to the extent the Borrower does not have sufficient resources to meet the cost of such Works itself, the Borrower has put in place committed funding from one or more Subordinated Creditors to meet the costs of such Works; and
 - II. the projected net rental income as a percentage of projected finance costs at that time in relation to any Works at the commencement of those Works is at least 105 per cent.¹; and

¹ If the Borrower is unable to satisfy this requirement it can: (i) make a deposit into the Disposal Proceeds and Deposit Account so that the interest on that sum could be treated as net rental income, (ii) prepay the loans in a sufficient amount or (ii) if the projected net rental income as a percentage of projected finance costs at the time in relation to the Works is 100 per cent. or more, deposit twice the net rental income required to meet the test.

- (B) if:
- I. the actual or contingent costs of those Works exceed £30,000,000 in respect of the shopping centre at Aberdeen or £35,000,000 in respect of the shopping centre at East Kilbride; or
 - II. the actual or contingent costs of those Works exceeds £20,000,000 in respect of either of the shopping centres and those Works relate to space in excess of 80,000 square feet in respect of the shopping centre at Aberdeen and 100,000 square feet in respect of the shopping centre at East Kilbride,

the Borrower has obtained the consent of the Facility Agent, such consent not to be unreasonably withheld or delayed where:

- I. the relevant Obligor has provided evidence in form and substance satisfactory to the Facility Agent that no Event of Default is outstanding or is likely to arise as a result of the Works, the Works (once completed) will not have any adverse effect on the long term value of the Properties, as evidenced by a certificate of the General Partner and the application for or grant of planning permission, or the commencement or completion of the Works will not cause any Security Interest permitted by the Credit Agreement to become enforceable; or
- II. the Works relate to the replacement, restoration or reinstatement of all or part of the Properties, they are funded in their entirety by the proceeds of insurance plus, if required, an amount not exceeding £85,000,000, and replace, restore or reinstate the buildings on the Properties to substantially the form they were in prior to the event which gave rise to such insurance proceeds;

(xiii) ensure that no Obligor, without the consent of the Facility Agent, disposes of its assets except for:

- (A) any disposal of certain specified interests in the Properties;
- (B) the grant, surrender, renunciation or irritancy of an occupational lease as permitted by the Credit Agreement;
- (C) the disposal or replacement of moveable plant and machinery and fixtures and fittings which are obsolete or redundant or otherwise in accordance with the principles of good estate management;
- (D) the disposal of any asset subject to any floating charge created under any Security Document in the ordinary course of trade;
- (E) disposals pursuant to a compulsory purchase order or otherwise in circumstances where the Borrower and/or the relevant Guarantor is required to effect such disposal by law or regulation or by any governmental agency;
- (F) any payment of cash which any Obligor is required or permitted to make in accordance with, or which is contemplated by, any Transaction Document;
- (G) any disposal of all or any part of any Property if:
 - I. no Event of Default is outstanding or would result from that disposal;
 - II. the disposal is to a third party unrelated to any Obligor and is on arms-length terms;
 - III. the value of the Properties immediately after that disposal is:
 - (aa) not less than 99 per cent. of the value of the Properties (as set out in the initial valuation); and
 - (bb) not less than 97.5 per cent. of the value of the Properties immediately before the disposal (as set out in a valuation which is not more than seven months old); and
 - IV. the aggregate annual rent receivable from the Properties immediately after the disposal is:
 - (aa) not less than 99 per cent. of the annual rent receivable from the Properties on the date of the Credit Agreement; and

- (bb) not less than 97.5 per cent. of the annual rent receivable from the Properties immediately before that disposal;
 - (H) any disposal of all or any part of a Property where the Facility Agent (acting reasonably) is satisfied that:
 - I. the disposal is not a transaction at an undervalue (as defined in Section 238 of the Insolvency Act 1986) or a gratuitous alienation (as defined in Section 242 of the Insolvency Act 1986); and
 - II. the net proceeds of that disposal are sufficient, and will be applied to repay the Loans and all amounts payable to the Finance Parties under the Finance Documents; or
 - (I) any disposal of part of a Property to which an Allocated Debt Amount is ascribed provided that prepayment is made in accordance with the Credit Agreement.
- (xiv) to ensure that no Obligor makes any acquisition or investment other than:
- (A) any disposal of part of a Property to which an Allocated Debt Amount is ascribed;
 - (B) an Obligor acquiring any asset or business or making any investment in the ordinary course of its business;
 - (C) acquisitions permitted pursuant to the Finance Documents;
 - (D) any acquisition with the prior written consent of the Facility Agent (such consent not to be unreasonably withheld or delayed) provided that the Facility Agent will be deemed to have no reasonable grounds for withholding its consent if:
 - I. the acquisition is of heritable freehold or leasehold property; and
 - II. the Facility Agent is satisfied that:
 - (aa) the acquisition or ownership of the property being acquired would not have a Material Adverse Effect; and
 - (bb) prior to the acquisition of the property the relevant Obligor has carried out such investigations of title to the property as any prudent company in the same business as the relevant Obligor would have carried out; or
 - (E) any acquisition of heritable freehold or leasehold property which is funded in its entirety by way of a Subordinated Loan or capital contribution by a Limited Partner and where the property to be acquired does not (and will not) form an integral part of a Property;
- (xv) to ensure that the Obligors shall not without the consent of the Facility Agent (such consent not to be unreasonably withheld or delayed and is not required where the Obligors are obliged by law or under any lease document to do so):
- (A) enter into any agreement to grant an occupational lease of all or part of a Property or (other than pursuant to an agreement to grant an occupational lease of all or part of a Property) grant or agree to grant any new occupational lease, except where such agreement to grant an occupational lease of all or part of a Property or occupational lease:
 - I. is entered into on arms' length terms and complies with the certain specified parameters; or
 - II. is or relates to a minor occupational lease; or
 - III. is entered into pursuant to a contractual obligation or option which exists at the Closing Date;
 - (B) agree to any amendment, waiver, surrender or renunciation in respect of any lease document which would, in the opinion of the General Partner (on behalf of the relevant Obligor), have a Material Adverse Effect; or
 - (C) conclude or attempt to conclude irritancy proceedings in respect of any lease document by serving a termination notice or raising an action for declarator of irritancy (the service of irritancy notices not being prohibited) in circumstances where doing so would, in the opinion of the General Partner (on behalf of the relevant Obligor), have a Material Adverse Effect.

(j) *Events of default*

The Credit Agreement will contain events of default entitling the Lender (subject in certain cases, to certain grace periods, exceptions and materiality thresholds and/or qualifications) to accelerate the Loans and/or enforce the Loan Security, including, among other things:

- (i) failure to pay on the due date any amount due under the Finance Documents other than where it is remedied within three Business Days;
- (ii) breach of other specified obligations under the Finance Documents, other than where it is capable of remedy and is remedied within 30 days of the earlier of the Facility Agent giving notice and the Obligor or a Subordinated Creditor becoming aware of the non-compliance;
- (iii) any representation or warranty was incorrect in any material respect at the date it was given, other than where it is remedied within 30 days;
- (iv) an Obligor is unable to pay its debts or is deemed to be insolvent or other insolvency acts or events occur (including, among other things, the commencement of insolvency proceedings, the appointment of any liquidator or administrative receiver or the attachment or sequestration of any asset);
- (v) an Obligor ceases or, threatens to cease, to carry on its business, other than as a result of a disposal permitted by the Credit Agreement;
- (vi) it is or becomes unlawful for an Obligor or a Subordinated Creditor to perform any of its obligations under any Finance Documents; and
- (vii) the forfeiture or termination of a headlease as a result of irritancy proceedings and such termination would be reasonably likely to have a Material Adverse Effect.

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

Material Adverse Effect means a material adverse effect on the ability of the Obligors taken as a whole to perform their payment obligations under any Finance Document.

4. Loan Security

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

(a) *Creation of security*

The Security Agreement will grant in favour of the Facility Agent a first ranking charge over any non-Scottish and non-Jersey assets belonging to the Obligors and a first fixed charge over, among other things, amounts standing to the credit of the Accounts (other than amounts standing to the credit of the Client Monies Account, as defined below, which shall be held on trust for the relevant tenants), book and other debts of the Obligors and will assign absolutely to the Facility Agent by way of security, the benefit of any insurance policy relating to the Properties and the Borrower's rights under the Hedging Arrangements. Pursuant to the Security Agreement, the Borrower will also assign in security, its rights under the Trust Deeds.

Each relevant Propertyco will also grant in favour of the Facility Agent:

- (i) the Standard Securities
Subject to the registration of the Standard Securities in the Land Register of Scotland and in the Companies Register of Charges, each Standard Security will create a fixed charge over each of the Properties; and
- (ii) the Assignations in Security
Subject to the intimation of the Assignations in Security to the occupational tenants under the occupational leases of the Properties, each Assignment in Security will create a first ranking fixed

security over the rental payments payable pursuant to each occupational lease. In terms of the Security Documents such intimation will not be made unless the Facility Agent so requires upon the occurrence of an Event of Default. The Assignations in Security will accordingly not come into effect until such intimation takes place (see further “*Risk Factors – Considerations relating to the Loans and the Properties – Assignment of rents*” above).

Each Obligor will also grant a first floating charge in favour of the Facility Agent over all of its assets not otherwise mortgaged, charged or assigned by way of fixed mortgage or charge or assignment under the Security Agreement (but which will extend over all of its assets and rights situated in or governed by the law of Scotland).

(b) Representations and warranties

The representations and warranties to be given by each Obligor under the Security Agreement, as of the date of each Security Document and the date of drawdown, will include a statement to the effect that, among other things, the Security Interests created pursuant to the Security Agreement are not liable to be avoided or otherwise set aside on the liquidation or administration of that Obligor.

(c) Undertakings

The Borrower will undertake under the Security Documents, among other things, not to create or permit any security interest over its assets charged as security (other than any security interest created pursuant to the Security Documents or permitted under the Credit Agreement) or sell, transfer, license, lease or otherwise dispose of any asset charged as security (save for assets charged by way of floating security only and disposed of in the ordinary course of business or as permitted under the Credit Agreement), to comply with the terms of the Security Documents.

(d) Enforceability

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

(e) Related security

In addition to the Security Agreement, the Loans will be secured by various further related security.

The Mortgage of Shares will create a first priority security interest over all shares in each Propertyco and all associated rights. Under the Mortgage of Shares, Subco will give certain representations and also undertake, among other things, not to further charge, sell, transfer or otherwise dispose of the relevant shares.

The obligations of the Obligors to the Subordinated Creditors will be fully subordinated to all amounts due to the Borrower Secured Creditors under the Finance Documents pursuant to the Subordination Agreement. Under the Subordination Agreement, each Obligor will undertake, among other things, not to secure any part of the subordinated liabilities and not to repay all or any part of the subordinated liabilities, except to the extent permitted by the Subordination Agreement and the Borrower will be permitted to make payments to the Subordinated Creditors from the General Account provided that no Event of Default is outstanding and no Event of Default would result from the payment. Each Subordinated Creditor will give the usual undertakings, including, in particular, that it will not take any steps leading to the certain administration, winding up or dissolution of any Obligor.

5. Accounts

The Credit Agreement will require the Borrower and the Propertycos to establish bank accounts into which rental income and other monies received by the Obligors will be required to be paid. The Obligors will ensure that all rent and service charge payments in respect of the Properties are paid into the Rent Account or the Service Charge Account, respectively. Any rental income paid into an Account other than the Rent Account will be required to be paid immediately into the Rent Account. Two Business Days prior to each Loan Interest Payment Date sufficient monies will then be transferred from the Rent Account to the Debt Service Account and will be applied to meet the Borrower’s obligations under the Finance Documents falling due on the next Loan Interest Payment Date.

Each Account (other than any Client Monies Account) will be expressed to be the subject of a first fixed charge in favour of the Facility Agent (although certain charges may take effect as a floating charge) on

trust for the benefit of the Borrower Secured Creditors. The Facility Agent will have sole signing rights and control over the Debt Service Account, the Tenant Surrender Account and the Disposals Proceeds and Deposit Account.

(a) *Debt Service Account*

Amounts payable to the Borrower under any Hedging Arrangements (other than amounts due to be paid into a CSA Account) will be paid directly into the Debt Service Account and the Excess Cash Reserve will be transferred into the Debt Service Account from the Rent Account. The Facility Agent will have sole signing rights in relation to the Debt Service Account and will be irrevocably authorised on each Loan Interest Payment Date or, in the case of a payment pursuant to paragraph (xiv) to (xvii) below, on the date which is up to ten Business Days after each Interest Payment Date, to apply amounts standing to the credit of the Debt Service Account in the following order:

- (i) **first**, payment *pro rata* of any unpaid costs and expenses of the Facility Agent and the Arranger due but unpaid under the Finance Documents;
- (ii) **then**, in or towards payment *pro rata* of any unpaid Facility Fee due to the Issuer;
- (iii) **then**, in or towards payment *pro rata* of the outstanding amount of any Hedging Loan;
- (iv) **then**, payment *pro rata* to the Hedge Counterparties of any periodic payments (not being payments as a result of termination or closing out) due but unpaid under the Hedging Arrangements;
- (v) **then**, payment to the Facility Agent for the relevant Finance Parties of any accrued interest due but unpaid in respect of the Tranche A Loan;
- (vi) **then**, payment to the Facility Agent for the relevant Finance Parties of any accrued interest due but unpaid in respect of the Tranche B Loan;
- (vii) **then**, payment to the Facility Agent for the relevant Finance Parties of any accrued interest due but unpaid in respect of the Tranche C Loan;
- (viii) **then**, payment to the Facility Agent for the relevant Finance Parties of any accrued interest due but unpaid in respect of the Tranche D Loan;
- (ix) **then**, payment to the Facility Agent for the relevant Finance Parties of any principal due but unpaid in respect of the Tranche A Loan;
- (x) **then**, payment to the Facility Agent for the relevant Finance Parties of any principal due but unpaid in respect of the Tranche B Loan;
- (xi) **then**, payment to the Facility Agent for the relevant Finance Parties of any principal due but unpaid in respect of the Tranche C Loan;
- (xii) **then**, payment to the Facility Agent for the relevant Finance Parties of any principal due but unpaid in respect of the Tranche D Loan;
- (xiii) **then**, in or towards payment *pro rata* of any other sum (other than an amount referred to in paragraphs (xiv) to (xvi) below) due but unpaid under the Finance Documents;
- (xiv) **then**, in or towards payments (not being payments referred to in subparagraph (xiv) below) as a result of termination or closing out due but unpaid to the Hedge Counterparties under the Hedging Arrangements;
- (xv) **then**, in or towards payment *pro rata* of any payments due as a result of termination or closing out arising from:
 - (A) it becoming illegal for one or more Hedge Counterparties to comply with its or their obligations under the Hedging Arrangements; or
 - (B) an event of default relating to one or more Hedge Counterparties; or
 - (C) any Rating Event Termination Event (as defined in the relevant Hedging Arrangements) affecting one or more Hedge Counterparties;
- (xvi) **then**, in or towards payment *pro rata* of any unpaid Securitisation Fee due to the Issuer; and
- (xvii) **finally**, payment of any surplus into the General Account,

provided that no amount may be applied towards the items listed in paragraphs (xiv) to (xvi) above unless the Facility Agent has set aside and retained in the Debt Service Account an amount equal to the Excess Cash Reserve.

The Facility Agent may at any time when an Event of Default is outstanding authorise withdrawals from, and apply amounts standing to the credit of, the Debt Service Account and Rent Account in or towards payment of any amount due but unpaid under the Finance Documents and shall withdraw amounts to pay rent due under a headlease, in accordance with that headlease.

Cash Reserve Amount means an amount equal to the lesser of: (i) the net rental income received by the Obligors during the Interest Period ending on that Interest Payment Date less the amount transferred or to be transferred to the Debt Service Account in accordance with the Credit Agreement; and (ii) the balance standing to the credit of the Rent Account on that Interest Payment Date.

Interest Cover means, on in respect of any Interest Payment Date (other than the first Interest Payment Date), quarterly rental as a percentage of quarterly finance costs at that time. For the purposes of this definition:

- (a) **quarterly finance costs** means the aggregate amounts which are payable on that Interest Payment Date less:
 - (i) the interest receivable by the Borrower on the Rent Account, the Debt Service Account, the Tenant Surrender Account and the Disposals Proceeds and Deposit Account during the period from (but excluding) the previous Interest Payment Date to (and including) that Interest Payment Date; and
 - (ii) the aggregate amount received on that Interest Payment Date into the Debt Service Account by way of periodical payments (not being payments as a result of termination or closing out) under the Hedging Arrangements;
- (b) **quarterly rental** means the amount determined by the General Partner on behalf of the Borrower as the aggregate of the net rental income less headlease rent payments and certain irrecoverable expenditures, received by the Obligors during the Interest Period ending on any date on which Interest Cover is calculated; and
- (c) in determining quarterly rental and quarterly finance costs,
the Facility Agent is entitled to rely upon (without further investigation) information supplied by the Borrower.

Cash Trap Level means 135 per cent.

(b) *Rent Account*

All net rental income will be paid into the Rent Account to be held in the name of TNL on behalf of the PropertyCos. Two Business Days prior to each Interest Payment Date, each Obligor shall ensure that the amount required to pay the items (i) to (xiii) in *Accounts – Debt Service Account* above, is transferred into the Debt Service Account and, to the extent that after such transfer, there are monies remaining in the Rent Account, shall ensure that the amount required to pay items (xiv) to (xvi) in *Accounts – Debt Service Account* above is transferred into the Debt Service Account.

If in respect of any Interest Payment Date (other than the first Interest Payment Date), the Interest Cover is less than the Cash Trap Level, then the Borrower must ensure that the Cash Reserve Amount remains standing to the credit of the Rent Account, until the next Interest Payment Date on which Interest Cover is equal to or greater than the Cash Trap Level. If the Cash Reserve Amount is greater than £5,000,000 then the amount by which the Cash Reserve Amount exceeds £5,000,000 (the **Excess Cash Reserve**) shall be immediately transferred to the Debt Service Account within ten Business Days after the relevant Interest Payment Date.

The Cash Reserve Amount may only be used to:

- (i) pay or reimburse any Leasing Commissions;
- (ii) pay or reimburse Operating Expenses;
- (iii) pay or reimburse the cost of Improvements;

- (iv) fund a prepayment of the Loans which shall be applied against the Loans in the following order:
 - (A) **first**, in prepayment of the Tranche A Loan;
 - (B) **second**, in prepayment of the Tranche B Loan;
 - (C) **third**, in prepayment of the Tranche C Loan; and
 - (D) **fourth**, in prepayment of the Tranche D Loan; or
- (v) repay the Loan at maturity.

Improvements means any capital works to any Property (excluding repairs and maintenance of such Property) carried out by or on behalf of an Obligor with the intention of causing any tenant or potential tenant to enter into an occupational lease.

Leasing Commissions means any leasing commissions or fees payable by any Obligor by way of brokerage, agency or other fees in connection with the entry into, renewal, extension, variation or amendment of any occupational lease or in connection with an increase in rent payable under an occupational lease.

Operating Expenses means, in respect of any Property, any fees, costs and expenses incurred by any Obligor in relation to the Properties including, utilities costs (annualised over the course of a year), repair, decoration and maintenance costs, the rent payable under any headlease, taxes and insurance premiums including the fees of the administrator or the property and asset manager or any auditors or valuers.

Prior to an Event of Default, TNL will have sole signing rights in relation to the Rent Account. Subject to any restrictions in the Subordination Agreement and if no Event of Default is outstanding, an Obligor will be permitted to withdraw any amount from the Rent Account. Any surplus moneys standing to the credit of the Rent Account (other than the Cash Reserve Amount) after the required amounts have been transferred to the Debt Service Account in accordance with the Credit Agreement, may be withdrawn from the Rent Account, by an Obligor.

The Interest Cover will be calculated in respect of each Interest Payment Date (other than the first Interest Payment Date) and the Borrower shall, within ten Business Days of each Interest Payment Date (the **Notification Dates**), notify the Facility Agent whether Interest Cover was above or below the Cash Trap Level on that Interest Payment Date.

The Borrower shall not be permitted to withdraw amounts from the Rent Account in respect of any development works or distributions to limited partners during the period from each Interest Payment Date to each Notification Date.

(c) *Service Charge Account*

Each Propertyco will be required to transfer any amounts in respect of insurance costs and service charges (including any amounts representing value added tax thereon) received by it under an occupational lease in respect of the Properties into the Service Charge Account. Under the terms of the Credit Agreement, TNL on behalf of the Propertycos or, following an Event of Default, the Facility Agent will be permitted to apply amounts standing to the credit of the Service Charge Account in or towards the purposes for which it was paid under the relevant occupational lease and otherwise to the extent permitted by the Credit Agreement.

(d) *Disposal Proceeds and Deposit Account*

Each Propertyco will be required, unless otherwise provided for in the Credit Agreement, to transfer amounts received by it as a result of a disposal of a Property into the Disposal Proceeds and Deposit Account. Prior to an Event of Default, the Facility Agent shall, in certain circumstances, apply amounts paid into the Disposal Proceeds and Deposit Account in prepayment of the Loans or, may transfer amounts to the General Account if the Borrower is able to satisfy certain requirements. Following an Event of Default, the Facility Agent will be permitted to apply amounts standing to the credit of the Disposal Proceeds and Deposit Account to meet the Obligor's obligations under the Finance Documents.

(e) *General Account*

Subject to any restrictions in the Subordination Agreement and prior to an Event of Default, the Borrower will be permitted to withdraw any amount from the General Account. While an Event of

Default is outstanding, the Facility Agent will be permitted to apply amounts standing to the credit of the General Account to meet the Borrower's obligations under the Finance Documents.

(f) *Other Accounts*

Each Obligor shall deposit into a designated current account (the **Tenant Surrender Account**) amounts received by it in respect of premium or other amounts paid in respect of any amendment, waiver, surrender or renunciation in respect of any lease document. Amounts deposited will be paid to the General Account on the next or any subsequent Interest Payment Date if the rental income (excluding any amounts payable to any Obligor by way of contribution to insurance premia, service charges or sinking funds or of value added tax thereon) receivable by the Borrower during the relevant Interest Period exceeds the aggregate amount of interest and fees payable by the Borrower to the Finance Parties on such Interest Payment Date.

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

The Borrower may also open and maintain (and, prior to an Event of Default, control) a petty cash account and a gift cheque scheme account and may open and maintain a client monies account (the **Client Monies Account**) into which rent deposits or similar cash security will be paid and held on trust for the respective individual tenant.

Under the Credit Agreement, each Account established and maintained pursuant to the Credit Agreement) must be maintained with a bank that has a rating of "F-1" by Fitch and "A-1 +" by S&P for its short-term debt obligations and "A" by Fitch and an "A+" by S&P for its long-term debt obligations.

6. Issuer Accounts

(a) *Issuer Transaction Account*

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

(b) *Liquidity Stand-by Account*

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

7. Liquidity Facility

To mitigate the risk that Available Issuer Income (as defined below) will be insufficient to cover certain payments (including any Hedging Loans) due under the Priorities of Payments, the Issuer will enter into a liquidity facility agreement dated on or before the Closing Date (the **Liquidity Facility Agreement**) with the Liquidity Bank and the Trustee. Under this agreement, the Liquidity Bank will provide a 364-day committed liquidity facility to the Issuer which will be renewable until the Final Maturity Date as described below. Investors should note that the purpose of the Liquidity Facility Agreement will be to provide liquidity, not credit support, and that the Liquidity Bank will be entitled to receive interest and repayments of principal on drawings made under the Liquidity Facility Agreement in priority to payments to be made to Noteholders (which would ultimately reduce the amount available for distribution to Noteholders).

(a) *Available Issuer Income* will comprise:

- (i) all monies (other than principal) to be paid to the Issuer under or in respect of the Loans less the amount of any expected shortfall as notified by the Servicer; and
- (ii) any interest accrued upon the Issuer's Accounts and paid into the Issuer Transaction Account together with the yield element of the proceeds of any Eligible Investments made by or on behalf of the Issuer out of amounts standing to the credit of the Issuer's Accounts and paid into the Issuer Transaction Account.

On each Calculation Date, the Servicer will determine whether Available Issuer Income will be sufficient to make the payments set out under **paragraphs (i) to (xi)** of the Pre-Enforcement Priority of Payments or **paragraphs (i) to (x)** of the Post-Enforcement Pre-Acceleration Priority of Payment (as applicable) on the next Interest Payment Date (including without limitation any Hedging Loans). If such amount is insufficient, the Servicer will make a drawing (an **Income Deficiency Drawing**) under the Liquidity Facility Agreement in an amount equal to the deficiency (an **Income Deficiency**). The proceeds of any Income Deficiency Drawing will be credited to the Issuer Transaction Account and, together with the Available Issuer Income will constitute the **Adjusted Available Issuer Income** and will be applied by the Issuer in making payments on the next following Interest Payment Date.

The Liquidity Facility Agreement will initially permit drawings to be made by the Issuer of up to an aggregate amount of £23 million (the **Liquidity Facility Commitment**). The Liquidity Facility Commitment will automatically reduce following:

- (i) partial redemption of the Notes in accordance with **Condition 6.3**;
- (ii) the occurrence of an Appraisal Reduction (as defined below), in an amount proportionate to the Appraisal Reduction; or
- (iii) the receipt of confirmation from the Rating Agencies that as a result of the proposed reduction in the amount of the Liquidity Facility Commitment the then current ratings of the Notes will not be downgraded, withdrawn or qualified.

All payments due to the Liquidity Bank under the Liquidity Facility Agreement (other than in respect of the payment described in **paragraph (xvi)** under "8. Cashflows – Payments Paid out of the Issuer Transaction Account Pre-Enforcement of the Notes" and **paragraph (xv)** under "8. Cashflows – Payments Paid out of the Issuer Transaction Account Post-Enforcement of the Notes" below) will rank in priority to payments of interest and principal on the Notes.

(b) *Appraisal Reductions*

Not later than the earliest to occur of:

- (i) the date 120 days after the occurrence of any Event of Default as a result of non-payment; and
- (ii) the date 90 days after the occurrence of an Event of Default as a result of the occurrence of any prescribed insolvency event of the Borrower,

and, in each case, provided that such Event of Default is continuing, the Servicer is required, under the terms of the Servicing Agreement, to obtain a valuation in respect of the Properties (unless, at the Servicer's discretion, a valuation has been obtained during the immediately preceding 12 months and the Servicer has confirmed that, in its view, neither the Properties nor the relevant property markets have experienced any material change since the date of such previous valuation).

If the principal amount of the Loans then outstanding (together with any unpaid interest) exceeds the sum of 90 per cent. of the appraisal value of the Properties as determined by the relevant valuation, an **Appraisal Reduction Event** will be deemed to have occurred and the amount of Liquidity Facility Commitment will reduce proportionately by reference to any diminution in value of the Property since the date of the Valuation Report in accordance with the terms of the Servicing Agreement.

(c) *Liquidity Stand-by Drawings*

The Liquidity Facility Agreement will provide that if at any time:

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

then the Issuer will be required to find an alternative Liquidity Bank or will require the Liquidity Bank to pay an amount equal to its undrawn commitment under the Liquidity Facility Agreement (a **Liquidity Stand-by Drawing**) into the Liquidity Stand-by Account maintained with the Liquidity Bank or, if the Liquidity Bank ceases to have the Requisite Rating, any bank which has the Requisite Rating. In the event that the Servicer makes a Liquidity Stand-by Drawing, the Servicer will be required, prior to the expenditure of the proceeds of such drawing as described above, to invest such funds in Eligible Investments. Amounts standing to the credit of the Liquidity Stand-by Account will be available to the Issuer for the purposes of making deemed Income Deficiency Drawings as described above, and otherwise in the circumstances provided in the Liquidity Facility Agreement.

(d) *Repayment of drawings*

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

If the Liquidity Bank at that time is required to advance a Liquidity Standby Drawing, it shall, at its expense and if so requested by or on behalf of the Issuer, replace or transfer the facility to a new liquidity bank.

All payments due to the Liquidity Bank under the Liquidity Facility Agreement (other than in respect of any Liquidity Subordinated Amounts) will rank in priority to payments of interest and principal on the Notes. **Liquidity Subordinated Amounts** are any amounts in respect of increased costs, mandatory costs and tax gross up amounts payable to the Liquidity Bank to the extent that such amounts exceed 0.125 per cent. per annum of the commitment provided under the Liquidity Facility Agreement.

Eligible Investments means (a) sterling denominated government securities or (b) sterling demand or time deposits, certificates of deposit, money market funds and short-term debt obligations (including commercial paper); provided that in all cases such investments will mature at least one Business Day prior to the next Interest Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of such entity are rated at least "F1" by Fitch and "A-1+" by S&P or are otherwise acceptable to the Rating Agencies and, where such investments will mature in three months or more, the Rating Agencies have affirmed that then current ratings of the Notes would not be downgraded, withdrawn or qualified as a result of the proposed investments.

8. **Cashflows**

(a) *Payments Paid out of the Issuer Transaction Account – Priority Amounts*

The Servicer will, prior to the enforcement of the Issuer Security, out of funds standing to the credit of the Issuer Transaction Account, pay sums due to third parties (other than the Servicer, the Liquidity Bank, the Special Servicer, the Corporate Services Provider, the Trustee, the Paying Agents, the Agent Bank, the Issuer Account Bank or the Arranger), including sums representing the Issuer's liability, if any, to taxation (the **Priority Amounts**), on a date other than an Interest Payment Date under obligations incurred, without breach of obligations under the Transaction Documents, in the course of the Issuer's business.

(b) *Payments Paid out of the Issuer Transaction Account Pre-Enforcement of the Notes/Issuer Security*

Prior to the enforcement of the Issuer Security, on each Interest Payment Date, Adjusted Available Issuer Income together with receipts of principal in respect of the Loans will be applied from the Issuer Transaction Account in the following order of priority (the **Pre-Enforcement Priority of Payments**) (in each case only if and to the extent that the payments and provisions of a higher priority have been made in full), all as more fully set out in the Servicing Agreement:

- (i) in or towards satisfaction of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to, *pari passu* and *pro rata*, the Trustee and any other person appointed by it under the Note Trust Deed, the Deed of Charge and/or any Transaction Document to which the Trustee is a party;
- (ii) in or towards satisfaction of any amounts due and payable by the Issuer on such Interest Payment Date to, *pari passu* and *pro rata*, the Paying Agents and the Agent Bank under the Agency Agreement;
- (iii) in or towards satisfaction of any amounts due and payable by the Issuer on such Interest Payment Date to, *pari passu* and *pro rata*, the Servicer in respect of the Servicing Fee and any other amounts due to the Servicer pursuant to the Servicing Agreement (including any substitute servicer appointed in accordance therewith) and the Special Servicer in respect of the Special Servicing Fee and any other amounts due to the Special Servicer pursuant to the Servicing Agreement (including any substitute special servicer appointed in accordance therewith) (other than any amounts described in **paragraph (xvii)** below);
- (iv) in or towards satisfaction, *pro rata* according to amounts then due, of any amounts due and payable by the Issuer on such Interest Payment Date to:
 - (A) the Corporate Services Provider under the Corporate Services Agreement; and
 - (B) the Issuer Account Bank under the Bank Agreement;
- (v) in or towards payment, *pro rata*, of any amounts that the Issuer has agreed to pay to the Borrower in respect of any Hedging Loans on such Interest Payment Date;
- (vi) in or towards satisfaction of any amounts due and payable by the Issuer on such Interest Payment Date to the Liquidity Bank under and in accordance with the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts);
- (vii) in or towards payment or discharge of sums due to third parties (other than Priority Amounts) under obligations incurred in the course of the Issuer's business;
- (viii) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class A Notes;
- (ix) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class B Notes;
- (x) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class C Notes;
- (xi) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class D Notes;
- (xii) in or towards payment of all amounts of principal (if any) due or overdue on the Class A Notes and all other amounts (excluding interest) due in respect of the Class A Notes;
- (xiii) in or towards payment of all amounts of principal (if any) due or overdue on the Class B Notes and all other amounts (excluding interest) due in respect of the Class B Notes;
- (xiv) in or towards payment of all amounts of principal (if any) due or overdue on the Class C Notes and all other amounts (excluding interest) due in respect of the Class C Notes;
- (xv) in or towards payment of all amounts of principal (if any) due or overdue on the Class D Notes and all other amounts (excluding interest) due in respect of the Class D Notes;
- (xvi) in or towards payments of any Liquidity Subordinated Amounts payable to the Liquidity Bank;

- (xvii) in or towards payment of any amounts payable by the Issuer on such Interest Payment Date to the Special Servicer in respect of the Liquidation Fee or the Workout Fee;
 - (xviii) in or towards payment of any amounts payable by the Issuer to the Borrower under the Finance Documents; and
 - (xix) any surplus to the Issuer.
- (c) *Payments paid out of the Issuer Transaction Account Post-Enforcement of the Issuer Security but Pre-Acceleration of the Notes*
- The Issuer Security will become enforceable upon a Note Event of Default. Following enforcement of the Issuer Security, the Trustee or its appointee will be required to apply all funds received or recovered by it in accordance with the Pre-Enforcement Priority of Payments save that **paragraph (i)** of the Pre-Enforcement Priority of Payment will be amended to provide for the payment of fees to the Trustee and any receiver or other person appointed by it under the Note Trust Deed, the Deed of Charge and/or any Transaction Document to which the Trustee is a party, **paragraph (vii)** will be deleted (and the remaining paragraphs will be renumbered accordingly) and any surplus payable to the Issuer under **paragraph (xix)** (above) will be retained by the Trustee, or any receiver or appointee (as applicable) (the **Post-Enforcement Pre-Acceleration Priority of Payments**).
- (d) *Payments paid out of the Issuer Transaction Account Post-Enforcement of the Notes*
- Following acceleration of the Notes, the Trustee will be required to apply all funds received or recovered by it in accordance with the following order of priority (the **Post-Enforcement Priority of Payments** and, together with the Post-Enforcement Pre-Acceleration Priority of Payments and the Pre-Enforcement Priority of Payments, the **Priorities of Payment**) (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full), all as more fully set out in the Deed of Charge:
- (i) in or towards satisfaction of any costs, expenses, fees, remuneration and indemnity payments (if any) and any other amounts payable by the Issuer to, *pari passu* and *pro rata*, the Trustee and any receiver or other person appointed by it under the Note Trust Deed, the Deed of Charge and/or any Transaction Document to which the Trustee is a party;
 - (ii) in or towards satisfaction of any amounts due and payable by the Issuer to, *pari passu* and *pro rata*, the Paying Agents and the Agent Bank in respect of amounts properly paid by such persons to the Noteholders and not paid by the Issuer under the Agency Agreement together with any other amounts due to the Paying Agents or the Agent Bank pursuant to the Agency Agreement;
 - (iii) in or towards satisfaction of any amounts due and payable by the Issuer to, *pari passu* and *pro rata*, the Servicer in respect of the Servicing Fee and any other amounts due to the Servicer pursuant to the Servicing Agreement (including any substitute servicer appointed in accordance therewith) and the Special Servicer in respect of the Special Servicing Fee and any other amounts due to the Special Servicer pursuant to the Servicing Agreement (including any substitute special servicer appointed in accordance therewith) (other than any amounts described in **paragraph (xvi)** below);
 - (iv) in or towards satisfaction, *pro rata* according to the amounts then due, of any amounts due and payable by the Issuer to:
 - (A) the Corporate Services Provider under the Corporate Services Agreement; and
 - (B) the Issuer Account Bank under the Bank Agreement;
 - (v) in or towards satisfaction of any amounts due and payable by the Issuer to the Borrower in respect of any Hedging Loans;
 - (vi) in or towards satisfaction of any amounts due and payable by the Issuer to the Liquidity Bank under and in accordance with the Liquidity Facility Agreement (other than any Liquidity Subordinated Amounts);
 - (vii) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class A Notes;

- (viii) in or towards payment of all amounts of principal due or overdue on the Class A Notes and all other amounts (excluding interest) due in respect of the Class A Notes;
- (ix) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class B Notes;
- (x) in or towards payment of all amounts of principal due or overdue on the Class B Notes and all other amounts (excluding interest) due in respect of the Class B Notes;
- (xi) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class C Notes;
- (xii) in or towards payment of all amounts of principal due or overdue on the Class C Notes and all other amounts (excluding interest) due in respect of the Class C Notes;
- (xiii) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class D Notes;
- (xiv) in or towards payment of all amounts of principal due or overdue on the Class D Notes and all other amounts (excluding interest) due in respect of the Class D Notes;
- (xv) in or towards payment of any Liquidity Subordinated Amounts;
- (xvi) in or towards payment of any amounts payable by the Issuer to the Special Servicer in respect of the Liquidation Fee or the Workout Fee; and
- (xvii) any surplus to the Issuer or other persons entitled thereto.

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

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

SERVICING

The Servicer

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

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

Servicing of the Loans

Servicing procedures will include monitoring compliance with and administering the options available to the Borrower under the terms and conditions of the Credit Agreement. The Servicer and (where applicable) the Special Servicer will agree to service the Loans in the best interests of and for the benefit of all of the Noteholders (as determined by the Servicer or the Special Servicer, as the case may be, in its good faith and reasonable judgement) and in accordance with applicable law and regulatory requirements and shall take all measures it deems necessary or appropriate in its due professional discretion to administer and collect the Loans (i) provided that the Servicer or the Special Servicer, as the case may be, is Eurohypo, in accordance with Eurohypo's usual administrative policies and procedures from time to time and in the same manner as Eurohypo services commercial mortgage loans which remain on the books of and beneficially owned by Eurohypo; and in so doing shall exercise the standard of care of a reasonably prudent commercial mortgage lender or (ii) to the extent that the Servicer or the Special Servicer, as the case may be, is not Eurohypo, in accordance with the standard of care as is normal and usual in general commercial mortgage servicing activities with respect to comparable mortgage loans for other third-party lenders or for its own account, whichever is higher, and, in either case, in particular, and, on the occurrence of an Event of Default in respect of the Loans, the administration of enforcement procedures with a view to the maximisation of recoveries available to the Noteholders (taking into account the likelihood of recovery of amounts due from the Borrower, the timing of any such recovery and the costs of recovery) as determined by the Servicer or Special Servicer, as the case may be, in its reasonable judgement (the **Servicing Standard**).

Each of the Servicer and the Special Servicer may become the owner or otherwise hold an interest in the Notes with the same rights as each would have if it were not the Servicer or Special Servicer, as the case may be. Any such interest of the Servicer or the Special Servicer in the Notes will not be taken into account by any person when evaluating whether actions of the Servicer or the Special Servicer were consistent with the Servicing Standard.

Consultation with, and appointment of, the Special Servicer

The Servicer will give notice to the Special Servicer and the Trustee and will consult with the Special Servicer in relation to the future servicing or exercise of rights in respect of the Loans and/or the Loan Security promptly upon the occurrence of any of the following events:

- (i) a payment default with regards to any payment due on the maturity of the Loans (taking into account any extensions to its maturity permitted under the Servicing Agreement);
- (ii) other than any payment default specified in **paragraph (i)** above, any scheduled payment due and payable in respect of the Loans being delinquent for up to 45 days past its due date; or
- (iii) an Obligor being in breach of any covenant (other than a material covenant) under the Credit Agreement (a covenant being material for the purposes of this **paragraph (iii)** if a breach of it materially impairs or would materially impair the use or the marketability of The Properties or the value thereof as security for the Loans).

The Servicer or the Special Servicer, as applicable, will promptly give notice to the Issuer, the Trustee, the Rating Agencies and the Special Servicer (where applicable) of the occurrence of any Special Servicing Event in respect of the Loans. Upon the delivery of such notice, the Special Servicer will automatically assume all of its duties, obligations and powers under the Servicing Agreement and the Loans will become **specially serviced**.

Special Servicing Event means each of the following events:

- (a) a payment default occurring with regards to any payment due on the maturity of the Loans (taking into account any extensions to its maturity permitted under the Servicing Agreement);
- (b) other than any payment default specified in **paragraph (a)** above, a scheduled payment due and payable in respect of the Loans being delinquent for more than 45 days past its due date;
- (c) the Issuer, the Trustee, the Servicer or the Special Servicer receiving notice of the enforcement of any Loan Security;
- (d) insolvency or bankruptcy proceedings being commenced in respect of an Obligor;
- (e) in the Servicer's opinion a breach of a material covenant under the Credit Agreement (as defined in **paragraph (iii)** above) occurring and such breach is not cured within 30 days of its occurrence;
- (f) an Obligor notifying the Facility Agent, the Issuer or the Trustee in writing of its inability to pay its debts generally as they become due, its entering into an assignment for the benefit of its creditors or its voluntary suspension of payment of its obligations; or
- (g) any other Event of Default occurring that, in the good faith and reasonable judgement of the Servicer, materially impairs or would materially impair the use or the marketability of the Properties or the value thereof as security for the Loans.

On the appointment of the Special Servicer in respect of the Loans, the Servicer shall cease to be subject to the obligations as Servicer in respect of the Loans under the Servicing Agreement except where otherwise provided.

Arrears and default procedures

The Servicer will collect or the Servicer or the Special Servicer, as applicable, will instruct the Facility Agent to collect all payments due under or in connection with the Loans.

The Servicer will initially be responsible for the supervision and monitoring of payments falling due in respect of the Loans. The Servicer and, as applicable, the Special Servicer will be required to use all reasonable endeavours to recover amounts due from an Obligor should it default. Each of the Servicer and the Special Servicer will agree, in relation to any default under or in connection with the Loans and the Loan Security, to comply with the procedures for enforcement of the Loans and the Loan Security of the Servicer or the Special Servicer, as the case may be, current from time to time. In the event of a default in respect of the Loans, the Servicer or the Special Servicer, as applicable, will consider based on (amongst others) the nature of the default, the status of the relevant Obligor and the nature and value of the Properties, what internal reviews and reporting requirements are needed in respect of the Loans, and which enforcement procedures are appropriate. Such procedures for enforcement include the giving of instructions to the Facility Agent as to how to enforce the security held by the Facility Agent pursuant to the Loan Security.

Amendments to the terms and conditions of the Finance Documents

The Servicer or the Special Servicer, as applicable, on behalf of the Issuer and the Trustee may (but will not be obliged to) in accordance with the Servicing Standard agree to any request by the Facility Agent or an Obligor, as applicable, to vary or amend the terms and conditions of the Finance Documents provided that:

- (a) the variation or amendment consists of one or more of the following:
 - (i) any release of the Borrower, provided that there is always at least one person who is the Borrower under the Loans (which may be a person to whom the Borrower requests its obligation to be novated);
 - (ii) the release of the Loan Security or any part thereof which may, at the option of the Servicer or the Special Servicer, as applicable, be on the basis that alternative security is provided by an Obligor which is acceptable to the Servicer or the Special Servicer acting in accordance with the Servicing Standard; or
 - (iii) any other variation or amendment which would be acceptable to a reasonably prudent commercial mortgage lender acting in accordance with the Servicing Standard;
- (b) no Acceleration Notice has been given by the Trustee which remains in effect at the date on which the relevant variation or amendment is agreed;

- (c) the Issuer will not be required to make a further advance including, without limitation, any deferral of interest because of the relevant variation or amendment;
- (d) the effect of such variation or amendment would not be to extend the Final Maturity Date of the Loans beyond 2012 unless the Servicer or the Special Servicer, as applicable, shall have first received written confirmation from each of the Rating Agencies that the then current ratings of the Notes will not be downgraded, withdrawn or qualified by such extension;
- (e) the Loan Security will continue to include a first ranking standard security on the interests in the Properties (other than as permitted pursuant to the Finance Documents);
- (f) notice of any such amendment or variation is given to the Rating Agencies and prior written confirmation shall have been received by the Servicer or the Special Servicer, as applicable, from each of the Rating Agencies that any variation or amendment to any of the terms and conditions of the Finance Documents that is likely, in the reasonable determination of the Servicer or the Special Servicer, as the case may be, to have a material adverse effect on the Noteholders (it being agreed that a reduction in the interest rate or principal balance of the Loans or any waiver or postponement of the same is likely to have such effect) will not result in the then current ratings of any of the Notes being downgraded, withdrawn or qualified; and
- (g) if Eurohypo is not the Special Servicer, notice of any such amendment or variation is given to the Special Servicer.

With the prior written consent of the Trustee (acting in accordance with the Note Trust Deed and having regard to the interests of the Noteholders), the Servicer or the Special Servicer, as applicable, may (but will not be obliged to) agree to any request by the Facility Agent or an Obligor to vary or amend the terms and conditions of the Finance Documents where any of the above conditions (other than the conditions specified in **paragraphs (d), (f) and (g)** above) are not satisfied in respect of the relevant variation or amendment.

Ability to purchase the Loans and the Loan Security

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

The Servicer or the Special Servicer, as the case may be, must give the Issuer, the Facility Agent, the Trustee and (in the case of notice given by the Special Servicer only) the Servicer not more than 65 nor less than 35 days' written notice of its intention to purchase the Loans and the Loan Security. No such notice of the Special Servicer's intention to purchase the Loans shall be valid if the Servicer gives the Issuer, the Facility Agent and the Trustee written notice of its intention to purchase the Loans provided that such notice from the Servicer is delivered within ten days of the date on which the Special Servicer's notice was delivered.

Calculation of amounts and payments

On each **Calculation Date** (being two Business Days prior to the relevant Interest Payment Date), the Servicer will be required to determine the various amounts required to pay interest and principal due on the Notes on the forthcoming Interest Payment Date and all other amounts then payable by the Issuer, and the amounts expected to be available to make such payments. In addition, the Servicer will calculate the Principal Amount Outstanding for each class of Notes for the Interest Period commencing on such forthcoming Interest Payment Date, request the making of any Income Deficiency Drawings (including Income Deficiency Drawings to fund Hedging Loans (if appropriate)) on behalf of the Issuer and notify the Borrower of the amount of the Facility Fee and Securitisation Fee due and payable by the Borrower if payable on such a date.

On each Interest Payment Date, the Servicer will determine and pay on behalf of the Issuer out of Adjusted Available Issuer Income in respect of the Loans determined by the Servicer to be available for such purposes as described above, each of the payments required to be paid pursuant to and in the

priority set forth in the Servicing Agreement. In addition, the Servicer will, from time to time, pay on behalf of the Issuer all Priority Amounts required to be paid by the Issuer, as determined by the Servicer.

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

If the Servicer, acting on the basis of information provided to it determines, on any Calculation Date, that the amount of Available Issuer Income, less any Priority Amounts paid since the immediately preceding Interest Payment Date or due to be paid by the Issuer prior to the next Interest Payment Date, will be insufficient to make payments set out under **paragraphs (i) to (xi)** of the Pre-Enforcement Priority of Payments or **paragraphs (i) to (x)** of the Post-Enforcement Pre-Acceleration Priority of Payment (as applicable), the Servicer will make an Income Deficiency Drawing under the Liquidity Facility. See “*Credit Structure – 7. Liquidity Facility*” above. Any notice of drawdown in respect of the Liquidity Facility must be delivered at least one Business Day prior to the Interest Payment Date on which the drawing is required.

Servicer quarterly report

Pursuant to the Servicing Agreement, the Servicer will agree to deliver to the Issuer, the Trustee, the Special Servicer and the Rating Agencies a report in respect of each Calculation Date in which it will notify the recipients of, among other things, all amounts received in the Issuer’s Accounts and payments made with respect thereto. The report will contain the monthly arrears report and will also include qualitative and quantitative information on the Loans, including details of any material changes that may affect credit quality and the details of any delegation of any of the Servicer’s and/or Special Servicer’s obligations or duties.

Insurance

The Servicer will procure that the Facility Agent monitors the arrangements for insurance which relate to the Loans and the Loan Security and establishes and maintains procedures to ensure that all buildings insurance policies in respect of The Properties are renewed on a timely basis.

To the extent that the Issuer and/or the Trustee has power to do so under a policy of buildings insurance, the Servicer will, as soon as practicable after becoming aware of any occurrence of any event giving rise to a claim under such policy, procure that the Facility Agent prepares and submits such claim on behalf of the Issuer and/or the Trustee in accordance with the terms and conditions of such policy and complies with any requirements of the relevant insurer.

The Servicer will use reasonable endeavours to procure that the Borrower complies with the obligations in respect of insurance in accordance with the terms of the Credit Agreement. If the Servicer becomes aware that the Borrower has failed to pay premiums due under any policy of buildings insurance the Servicer will instruct the Facility Agent to take such action as the Issuer and/or the Trustee shall reasonably direct and in the absence of such direction will, on behalf of the Issuer or the Trustee, instruct the Facility Agent to pay premiums due and payable under any policy of buildings insurance in order that the cover provided by such policy does not lapse.

Upon receipt of notice that any policy of buildings insurance has lapsed or that The Properties are otherwise not insured against fire and other perils (including subsidence other than as set out in the Credit Agreement) under a comprehensive buildings insurance policy or similar policy in accordance with the terms of the Credit Agreement, the Servicer will instruct the Facility Agent, at the cost of the Issuer, to arrange such insurance in accordance with the terms of the Credit Agreement. Under the terms of the Credit Agreement, the Borrower will be required to reimburse the Issuer, as applicable, for such costs of insurance. See also “*Risk Factors - Insurance*”.

Fees

The Servicer will be entitled to receive a fee for servicing the Loans. On each Interest Payment Date the Issuer will pay to the Servicer a servicing fee (the **Servicing Fee**) (inclusive of value added tax) but only to the extent that the Issuer has sufficient funds to pay such amount as provided in “*Credit Structure – 8. Cashflows*”. The unpaid balance (if any) will be carried forward until the next succeeding Interest Payment Date and, if not paid before such time, will be payable on the final Interest Payment Date of the latest maturing class of Notes or on the earlier redemption in full of the Notes by the Issuer. The

Servicing Agreement will also provide for the Servicer to be reimbursed for all reasonable out-of-pocket expenses and charges properly incurred by the Servicer in the performance of its services under the Servicing Agreement.

Pursuant to the Servicing Agreement, if the Loans are designated to be specially serviced, the Issuer will be required to pay to the Special Servicer a fee (the **Special Servicing Fee**) (exclusive of value added tax) equal to 0.25 per cent. per annum of the principal balance of the Loans then outstanding but only to the extent that the Issuer has sufficient funds to pay such amount as provided in “*Credit Structure –8. Cashflows*” for a period commencing on the date the Loans are designated to be specially serviced and ending on the date the Properties are sold on enforcement or the date on which the Loans are designated to be corrected.

The Loans will be designated to be **corrected** if any of the following occurs with respect to the circumstances identified as having caused the Loans to be designated specially serviced and the Loans have been transferred back to the control of the Servicer (and provided that no other Special Servicing Event then exists with respect to the Loans):

- (a) with respect to the circumstances described in **paragraphs (a) and (b)** in the definition of Special Servicing Event the Borrower has made two consecutive timely quarterly payments in full;
- (b) with respect to the circumstances described in **paragraphs (c) and (d)** in the definition of Special Servicing Event such proceedings are terminated;
- (c) with respect to the circumstances described in **paragraph (e)** in the definition of Special Servicing Event such circumstances cease to exist in the good faith and reasonable judgement of the Special Servicer;
- (d) with respect to the circumstances described in **paragraph (f)** in the definition of Special Servicing Event the Borrower ceases to claim an inability to pay its debts or suspend the payment of obligations or the termination of any assignment for the benefit of its creditors; or
- (e) with respect to the circumstances described in **paragraph (g)** in the definition of Special Servicing Event such default is cured.

The Special Servicing Fee will accrue on a daily basis over such period and will be payable on each Interest Payment Date commencing with the Interest Payment Date following the date on which such period begins and ending on the Interest Payment Date following the end of such period.

In addition to the Special Servicing Fee, the Special Servicer will be entitled to a fee (the **Liquidation Fee**) (exclusive of value added tax) in respect of the Loans equal to an amount of 1 per cent. of the proceeds (net of all costs and expenses incurred as a result of the default of the Loans, enforcement and sale), if any, arising on the sale of the Properties or on or out of the application of any other enforcement procedures or other actions taken by the Special Servicer in respect of the Loans.

In addition to the Special Servicing Fee and the Liquidation Fee (if any) in respect of the Loans, the Special Servicer will be entitled to receive a fee (the **Workout Fee**) in consideration of providing services in relation to the Loans when they are designated to be corrected. When the Loans are designated to be corrected, the VAT-exclusive amount of Workout Fee shall be equal to 1 per cent. of each collection of principal and interest received on the Loans (but only, in relation to collections of principal, if and to the extent that such principal received reduces the amount of principal outstanding under the Loans to below the amount of principal outstanding under the Loans at the date they were first designated to be corrected) for so long as it continues to be designated corrected. The Workout Fee with respect to the Loans will cease to be payable if the Loans are no longer designated to be corrected, but the Workout Fee will become payable if and when the Loans are again designated to be corrected.

The Liquidation Fee and the Workout Fee will only be payable to the extent that the Issuer has sufficient funds to pay such amount as provided in “*Credit Structure –8. Cashflows*”.

Removal or resignation of the Servicer or the Special Servicer

The appointment of the Servicer or the Special Servicer, as applicable, may be terminated by the Trustee and/or by the Issuer (with the consent of the Trustee) upon written notice to the Servicer or the Special Servicer, as the case may be, on the occurrence of certain events (each a **Servicing Termination Event**), including if:

- (a) the Servicer or the Special Servicer, as applicable, fails to pay or to procure the payment of any amount required to be paid under the Transaction Documents to which the Servicer or the Special Servicer is party (as the case may be) on its due date by it and either (i) such payment is not made within five Business Days of such time or (ii) if the Servicer's or the Special Servicer's failure to make such payment was due to inadvertent error, such failure is not remedied for a period of ten Business Days after the Servicer or the Special Servicer becomes aware of such error;
- (b) subject as provided further in the Transaction Documents, the Servicer or the Special Servicer, as applicable, fails to comply with any of its covenants and obligations under the Servicing Agreement which in the opinion of the Trustee is materially prejudicial to the interests of the holders of the Notes and such failure either is not remediable or is not remedied for a period of 30 Business Days after the earlier of the Servicer or the Special Servicer, as the case may be, becoming aware of such default and delivery of a written notice of such default being served on the Servicer or the Special Servicer, as applicable, by the Issuer or the Trustee;
- (c) at any time the Servicer or the Special Servicer, as applicable, fails to obtain or maintain the necessary licences or regulatory approvals enabling it to continue servicing the Loans; or
- (d) the occurrence of an insolvency event in relation to the Servicer or the Special Servicer.

In addition, if the Loans have been designated to be specially serviced and the Issuer is so instructed by the Controlling Party, the Issuer will terminate the appointment of the person then acting as Special Servicer and, subject to certain conditions, appoint a qualified successor thereto (such successor to pay any costs incurred by the Issuer in relation to the replacement of the Special Servicer).

- (a) Subject to **paragraph (b)** below, **Controlling Party** means, at any time:
 - (i) the holders of the most junior class of Notes then having a Principal Amount Outstanding (as defined below) greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date; or
 - (ii) if no class of Notes then has a Principal Amount Outstanding greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date, the holders of the then most junior class of Notes.
- (b) If:
 - (A) one or more Affiliates of the Borrower holds Notes of the class that would be determined to be the Controlling Party under **paragraph (a)** above but for this **paragraph (b)**; and
 - (B) that Affiliate or Affiliates Note holding entitles it or them acting alone or in concert to pass an Extraordinary Resolution (as defined below) (such class, the Excluded Class), then, the Excluded Class will be disregarded when determining the Controlling Party under **paragraph (a)** above.

Affiliate means any company or other entity of which the Borrower is a Subsidiary, any other company or entity which is a Subsidiary of that company or entity and any Subsidiary of the Borrower.

Subsidiary means:

- (a) a Subsidiary within the meaning of section 736 of the Companies Act 1985 (as amended); and
- (b) (unless the context otherwise requires) a subsidiary undertaking within the meaning of section 258 of the Companies Act 1985 (as amended).

Prior to or contemporaneously with any termination of the appointment of the Servicer or the Special Servicer, it would first be necessary for the Issuer to appoint a substitute servicer or special servicer approved by the Borrower (such consent not to be unreasonably withheld or delayed and in any case to be deemed to have been given if the Borrower does not object within ten Business Days of being notified of the identity of the proposed substitute servicer or special servicer (as the case may be)) and the Trustee.

In addition, subject to the fulfilment of certain conditions including, without limitation, that a substitute servicer or special servicer has been appointed, the Servicer or Special Servicer may voluntarily resign by giving not less than three months' notice of termination to the Issuer, the Facility Agent and the Trustee.

Any such substitute servicer or special servicer (whether appointed upon a termination of the appointment of, or the resignation of, the Servicer or Special Servicer, as the case may be) will be required to, if possible, have experience servicing loans secured on commercial mortgage properties in Scotland and will enter into an agreement on substantially the same terms in all material aspects as the Servicing Agreement, taking into account also what is standard for such agreements in similar transactions at the time. Under the terms of the Servicing Agreement, the appointment of a substitute servicer or special servicer will be subject to the Rating Agencies confirming that the then current ratings (if any) of any class of the Notes will not be downgraded, withdrawn or qualified as a result of the appointment, unless otherwise agreed by Extraordinary Resolutions of each class of Noteholders. Any costs incurred by the Issuer as a result of appointing any such substitute servicer or special servicer shall, save as specified above, be paid by the Servicer or Special Servicer (as the case may be) whose appointment is being terminated. The fee payable to any such substitute servicer or special servicer should not, without the prior written consent of the Trustee, exceed the amount payable to the Servicer or Special Servicer pursuant to the Servicing Agreement and in any event should not exceed the rate then customarily payable to providers of commercial mortgage loan servicing services.

Forthwith upon termination of the appointment of, or the resignation of, the Servicer or Special Servicer, the Servicer or Special Servicer (as the case may be) must deliver any documents and all books of account and other records maintained by the Servicer or Special Servicer relating to the Loans and/or the Loan Security to, or at the direction of, the substitute servicer or special servicer and shall take such further action as the substitute servicer or substitute special servicer, as the case may be, shall reasonably request to enable the substitute servicer or the substitute special servicer, as the case may be, to perform the services due to be performed by the Servicer or the Special Servicer under the Servicing Agreement.

Appointment of the Operating Adviser

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

- (a) appointment of a receiver or similar actions to be taken in relation to the Loans;
- (b) the amendment, waiver or modification of any term of the Finance Documents which affects the amount payable by the Borrower or the time at which any amounts are payable, or any other material term of the Finance Documents; and
- (c) the release of any part of the Loan Security, or the acceptance of substitute or additional Loan Security other than in accordance with the terms of the Credit Agreement.

Before taking any action in connection with the matters referred to in **paragraphs (a) to (c)** above, the Special Servicer must notify the Operating Adviser of its intentions and must take due account of the advice and representations of the Operating Adviser, although if the Special Servicer determines that immediate action is necessary to protect the interests of the Noteholders, the Special Servicer may take whatever action it considers necessary without waiting for the Operating Adviser's response. If the Special Servicer does take such action and the Operating Adviser objects in writing to the actions so taken within ten Business Days after being notified of the action and provided with all reasonably requested information, the Special Servicer must take due account of the advice and representations of the Operating Adviser regarding any further steps the Operating Adviser considers should be taken in the interests of the Controlling Party. The Operating Adviser will be considered to have approved any action taken by the Special Servicer without the prior approval of the Operating Adviser if it does not object within ten Business Days. Furthermore, the Special Servicer will not be obliged to obtain the approval of the Operating Adviser for any actions to be taken with respect to the Loans if the Special Servicer has notified the Operating Adviser in writing of the actions that the Special Servicer proposes to take with respect to the Loans and, for 30 days following the first such notice, the Operating Adviser has objected to all of those proposed actions and has failed to suggest any alternative actions that the Special Servicer considers to be in accordance with the Servicing Agreement.

Delegation by the Servicer and Special Servicer

The Servicer or the Special Servicer, as applicable, may, in some circumstances including with the prior written consent of the Trustee and, in the case of the Servicer, with the prior written consent of the Special Servicer (where the Special Servicer is not Eurohypo), and after giving written notice to the Trustee and the Rating Agencies, delegate or sub-contract the performance of any of its obligations or duties under the Servicing Agreement. This shall not prevent the engagement on a case by case basis

by the Servicer or Special Servicer, as applicable, of any solicitor, valuer, surveyor, estate agent, property management agent or other professional adviser in respect of services normally provided by such persons in connection with the performance by the Servicer or the Special Servicer, as applicable, of any of its respective functions or exercise of its power under the Servicing Agreement. Upon the appointment of any such delegate or subcontractor the Servicer or the Special Servicer, as the case may be, will nevertheless remain responsible for the performance of those duties to the Issuer and the Trustee.

Governing law

The Servicing Agreement will be governed by English law.

ISSUER ACCOUNT BANK ARRANGEMENTS

Issuer Account Bank and the Issuer's Accounts

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

Termination of appointment of the Issuer Account Bank

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

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

If, other than in the circumstances specified above, the Servicer wishes the bank or branch at which any account of the Issuer is maintained to be changed, the Servicer will be required to obtain the prior written consent of the Issuer and the Trustee, in the case of the Issuer such consent not to be unreasonably withheld, and the transfer of such account will be subject to the same directions and arrangements as are provided for above.

LIQUIDITY BANK AND ISSUER ACCOUNT BANK

HSBC Bank plc will be appointed to act as Liquidity Bank pursuant to the terms of the Liquidity Facility Agreement.

HSBC Bank plc

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

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

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

The HSBC Group is one of the largest banking and financial services organisations in the world, with over 9,800 offices in 77 countries and territories in Europe, Hong Kong, the rest of Asia-Pacific, including the Middle East and Africa, North America and South America. Its total assets at 31 December 2004 were US\$1,266 billion. HSBC Bank plc is the HSBC Group's principal operating subsidiary undertaking in Europe.

The short-term unsecured obligations of HSBC Bank plc are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch and the long-term obligations of HSBC Bank plc are currently rated Aa2 by Moody's, AA- by S&P and AA by Fitch.

In its capacity as Liquidity Bank, HSBC Bank plc will be acting through its offices at 8 Canada Square, London E14 5HQ.

The information contained herein with respect to HSBC Bank plc has been obtained from HSBC Bank plc. Delivery of this Offering Circular shall not create any implication that there has been no change in the affairs of HSBC Bank plc since the date hereof or that the information contained or referred to herein is correct as of any time subsequent to this date.

The Bank of New York will be appointed to act as Issuer Account Bank pursuant to the terms of the Bank Agreement.

The Bank of New York

As the Issuer Account Bank, The Bank of New York, is a global leader in securities servicing for issuers, investors and financial intermediaries.

Bank of New York Company, Inc. (NYSE: BK) plays an integral role in the infrastructure of the capital markets, servicing securities in more than 100 markets worldwide.

Bank of New York Company, Inc. provides quality solutions through leading technology for global corporations, financial institutions, asset managers, governments, non-profit organisations, and individuals.

Its principal subsidiary, The Bank of New York, founded in 1784, is the oldest bank in the United States and has a distinguished history of serving clients around the world through its five primary businesses: Securities Servicing and Global Payment Services, Private Client Services and Asset Management, Corporate Banking, Global Market Services, and Retail Banking.

In its capacity as Issuer Account Bank, The Bank of New York will be acting through its offices at 48th Floor, One Canada Square, London E14 5AL.

The information contained herein with respect to The Bank of New York has been obtained from The Bank of New York. Delivery of this Offering Circular shall not create any implication that there has been no change in the affairs of The Bank of New York since the date hereof or that the information contained or referred to herein is correct as of any time subsequent to this date.

ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of the Notes cannot be predicted because the Loan will be prepayable and a number of other relevant factors are unknown.

Calculations of possible average lives of the Notes can be made based on certain assumptions. For example, based on the assumptions that:

- (a) the Loans are not sold by the Issuer;
- (b) the Loans do not default, are not prepaid (in whole or in part), are not enforced and no loss arises; and
- (c) the Closing Date is 22 April 2005,

then the approximate percentage of the initial principal amount outstanding of the Notes on each Interest Payment Date and the approximate average lives of the Notes would be as follows:

- (i) in respect of the Class A Notes, 7.3 years;
- (ii) in respect of the Class B Notes, 7.3 years;
- (iii) in respect of the Class C Notes, 7.3 years; and
- (iv) in respect of the Class D Notes, 7.3 years.

Assumptions (a) and (b) above relate to circumstances which are not predictable.

The average lives of the Notes will be subject to factors outside the control of the Issuer and consequently no assurance can be given that the estimates above will in fact be realised and they must therefore be viewed with considerable caution.

USE OF PROCEEDS

The net and gross proceeds from the issue of the Notes will be approximately £430,000,000, and this sum will be applied by the Issuer towards the making of the Loans to the Borrower on the Closing Date pursuant to the Credit Agreement. Fees, commissions and expenses incurred by the Issuer in connection with the issue of the Notes will be met by the Borrower.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes in the form (subject to modification) in which they will be set out in the Note Trust Deed. Subject to any contrary provisions thereof, such Terms and Conditions will apply to the Notes in global and in definitive form:

The issue of the £315,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2014 (the **Class A Notes**), the £60,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2014 (the **Class B Notes**), the £30,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2014 (the **Class C Notes**) and the £25,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2014 (the **Class D Notes** and, together with the Class A Notes, the Class B Notes and the Class C Notes, the **Notes**) by Opera Finance (Scottish Retail) plc (the **Issuer**) was authorised by a resolution of the Board of Directors of the Issuer passed on 14 April 2005.

The Notes are constituted by a note trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the **Note Trust Deed**) dated 22 April 2005 (the **Closing Date**) made between the Issuer and The Bank of New York (the **Trustee**, which expression includes its successors as trustee or any further or other trustee(s) under the Note Trust Deed) as trustee for the holders of the Notes (the **Noteholders**).

The proceeds of the issue of the Notes will be applied in or towards the making of the Loans to The Scottish Retail Property Limited Partnership (the **Borrower**).

References herein to the Notes include references to:

- (a) whilst the Notes are represented by a Global Note (as defined in **Condition 1.2(b)**) units of £50,000 (as reduced by any redemption in part of a Note pursuant to **Condition 6**);
- (b) any Global Note; and
- (c) any Definitive Notes (as defined in **Condition 2.1(a)**) issued in exchange for a Global Note.

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

The Noteholders and the holders of the Receipts and Coupons (each as defined below) (the **Receiptholders** and **Couponholders** respectively) are subject to and have the benefit of an agency agreement (as amended and/or supplemented from time to time, the **Agency Agreement**) dated the Closing Date between the Issuer, The Bank of New York as principal paying agent (in such capacity, the **Principal Paying Agent**, which expression includes any successor principal paying agent appointed from time to time in respect of the Notes) and as agent bank (in such capacity, the **Agent Bank**, which expression includes any successor agent bank appointed from time to time in connection with the Notes), AIB/BNY Fund Management (Ireland) Limited as Irish paying agent (the **Irish Paying Agent**, which expression includes any successor Irish paying agent appointed from time to time in connection with the Notes and together with the Principal Paying Agent and any other paying agent appointed from time to time in connection with the Notes, the **Paying Agents**) and the Trustee.

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

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

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Note Trust Deed, the Agency Agreement, the Deed of Charge and the other Transaction Documents. Capitalised terms used in these Conditions but not otherwise defined shall have the meanings set out in the Master Definitions Schedule.

As used in these Conditions:

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

Copies of the Transaction Documents are available to Noteholders for inspection at the specified office of each of the Principal Paying Agent and Irish Paying Agent.

1. GLOBAL NOTES

1.1 Temporary Global Notes

- (a) The Notes of each Class will initially be represented by a temporary global Note of the relevant Class (each, a **Temporary Global Note**).
- (b) The Temporary Global Notes will be deposited on behalf of the subscribers of the Notes with a common depository (the **Common Depository**) for Euroclear Bank S.A./N.V. as operator of the Euroclear System (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) on the Closing Date. Upon deposit of the Temporary Global Notes, Euroclear or Clearstream, Luxembourg will credit the account of each Accountholder (as defined below) with the principal amount of Notes for which it has subscribed and paid.

1.2 Permanent Global Notes

- (a) Interests in each Temporary Global Note will be exchangeable 40 days after the Closing Date (the **Exchange Date**), provided certification of non-U.S. beneficial ownership (**Certification**) by the relevant Noteholders has been received, for interests in a permanent global Note of the relevant Class (each, a **Permanent Global Note**) which will also be deposited with the Common Depository unless the interests in the relevant Permanent Global Note have already been exchanged for Notes in definitive form in which event the interests in such Temporary Global Note may only be exchanged (subject to Certification) for Notes of the relevant Class in definitive form.
- (b) The expression **Global Note** shall be read and construed to mean a Temporary Global Note or a Permanent Global Note as the context may require. On the exchange in full of each Temporary Global Note for the relevant Permanent Global Note such Permanent Global Note will remain deposited with the Common Depository.

1.3 Form and Title

- (a) Each Global Note shall be issued in bearer form without Receipts, Coupons or Talons (as defined below).
- (b) Title to the Global Notes will pass by delivery. Notes represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as appropriate.
- (c) For so long as the Notes of a Class are represented by one or both Global Notes in respect of that Class, the Issuer, the Trustee and all other parties shall (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of

Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (an **Accountholder**) as the holder of such principal amount of such Notes, in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes or interest in such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders), other than for the purposes of payment of principal and interest on such Global Notes, the right to which shall be vested, as against the Issuer, the Paying Agents and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to the terms of the Note Trust Deed. The expressions **Noteholders** and **holder of Notes** and related expressions shall be construed accordingly.

- (d) In determining whether a particular person is entitled to a particular principal amount of Notes as aforesaid and subject to **Condition 1.3(c)**, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

2. DEFINITIVE NOTES

2.1 Issue of Definitive Notes

- (a) A Permanent Global Note will be exchanged free of charge (in whole but not in part) for Notes in definitive bearer form (**Definitive Notes**) only if at any time after the Exchange Date any of the following applies:
- (i) both Euroclear and Clearstream, Luxembourg are closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announce an intention permanently to cease business or do in fact do so and no alternative clearing system satisfactory to the Trustee is available; or
 - (ii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or any applicable jurisdiction (or of any political subdivision thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of administration of such laws or regulations which becomes effective on or after the Closing Date, the Issuer or any Paying Agent is or will become required to make any deduction or withholding from any payment in respect of the Notes which would not be required were the Notes in definitive form.
- (b) Thereupon, the whole of such Permanent Global Note will be exchanged for Definitive Notes (in the form provided in **paragraph 2.2 (a)** below), Receipts and Coupons in respect of principal and interest which has not already been paid on such Permanent Global Note as provided in such Permanent Global Note.

2.2 Title to and Transfer of Definitive Notes

- (a) Each Definitive Note shall be issued in bearer form, serially numbered, in the denomination of £50,000 with (at the date of issue) principal receipts (**Receipts**) and interest coupons (**Coupons**, which expression includes talons for further Coupons and Receipts (**Talons**), except where the context otherwise requires) attached.
- (b) Title to the Definitive Notes, Receipts and Coupons will pass by delivery.
- (c) The Issuer, the Paying Agents and the Trustee may (to the fullest extent permitted by applicable laws) deem and treat the holder of any Definitive Note and the holder of any Receipt and Coupon as the absolute owner for all purposes (whether or not the Definitive Note, the Receipt or the Coupon shall be overdue and notwithstanding any notice of ownership, theft or loss, of any trust or other interest therein or of any writing on the Definitive Note, Receipt or Coupon) and the Issuer, the Trustee and the Paying Agents shall not be required to obtain any proof thereof or as to the identity of such holder.

3. STATUS, SECURITY AND PRIORITY OF PAYMENTS

3.1 Status and relationship between Classes of Notes

- (a) The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by assignments, charges

and other fixed and floating security interests over all of the assets of the Issuer (as more particularly described in the Deed of Charge) (the **Issuer Charged Property**) (such assignments, charges and fixed and floating security interests together, the **Issuer Security**). Notes of the same Class rank *pari passu* and rateably without any preference or priority amongst themselves.

- (b) In accordance with the provisions of this **Condition 3**, the Note Trust Deed and the Deed of Charge, the Class A Notes will rank in priority to all other Classes of Notes in point of security and as to the payment of principal and interest, the Class B Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes but will rank in priority to the Class C Notes and Class D Notes in point of security and as to the payment of principal and interest, the Class C Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes and the Class B Notes but will rank in priority to the Class D Notes and the Class D Notes will be subordinated in point of security and as to right of payment of principal and interest in respect of the Class A Notes, the Class B Notes and the Class C Notes.
- (c) In connection with the exercise of the powers, trusts, authorities, duties and discretions vested in it by the Note Trust Deed and the other Transaction Documents the Trustee shall:
 - (i) except where expressly provided otherwise, have regard to the interests of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders equally PROVIDED THAT if in the opinion of the Trustee (1) (for so long as there are any Class A Notes outstanding) there is a conflict between the interests of the Class A Noteholders on the one hand and the interests of the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders on the other hand, it shall have regard only to the interests of the Class A Noteholders, (2) (for so long as there are any Class B Notes outstanding) there is a conflict between the interests of the Class B Noteholders on the one hand and the interests of the Class C Noteholders and/or the Class D Noteholders on the other hand, it shall, subject to (1) above, have regard only to the interests of the Class B Noteholders, (3) (for so long as there are any Class C Notes outstanding) there is a conflict between the interests of the Class C Noteholders on the one hand and the interests of the Class D Noteholders on the other hand, it shall, subject to (1) and (2) above, have regard only to the interests of the Class C Noteholders, but so that this proviso shall not apply in the case of powers, trusts, authorities, duties and discretions:
 - (A) in relation to which it is expressly stated that they may be exercised by the Trustee only if in its opinion the interests of the Noteholders would not be materially prejudiced thereby; or
 - (B) the exercise of which by the Trustee relates to any Basic Terms Modification (as defined in **Condition 12(b)**), in which event the Trustee may exercise such powers, trusts, authorities, duties and discretions only if it is satisfied that to do so will not be materially prejudicial to the interests of the Noteholders of any Class that will be affected thereby;
 - (ii) where it is required to have regard to the interests of the Noteholders (or any Class thereof), it shall have regard to the interests of such Noteholders (or such Class) as a class and in particular, but without prejudice to the generality of the foregoing, shall not be obliged to have regard to the consequences thereof for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to, the jurisdiction of any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholders be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders; and
 - (iii) except where expressly provided otherwise, have regard only to the interests of the Noteholders and shall not be required to have regard to the interests of any Other Issuer Secured Creditor or any other person or to act upon or comply with any direction or request of any Other Issuer Secured Creditor or any other person (in the case of any Other Issuer Secured Creditor) whilst any amount remains owing to any Noteholder and (in the case of any other person) at any time.

- (d) In the event of an issue of Replacement Notes (as defined in **Condition 16.2**) or New Notes (as defined in **Condition 16.3**), the provisions of the Note Trust Deed, these Conditions, the Agency Agreement and the Deed of Charge, including those concerning:
- (i) the basis on which the Trustee will be required to exercise its rights, powers, trusts, authorities, duties and discretions;
 - (ii) the circumstances in which the Trustee will become bound to take action, as referred to in **Condition 10** or **11**;
 - (iii) meetings of Noteholders and the passing of effective Extraordinary Resolutions (as defined below); and
 - (iv) the order of priority of payments both prior to, and upon, enforcement of the Issuer Security, will be modified in such manner as the Trustee considers necessary to reflect the issue of such Replacement Notes or, as the case may be, New Notes and the ranking thereof in relation to the Notes. If any New Notes are issued and the Notes are then listed on the Irish Stock Exchange, the Issuer will immediately advise the Irish Stock Exchange accordingly, procure the publication of a notice of the issue in a leading newspaper having general circulation in Dublin, file a new offering circular in respect of the issue of the New Notes with the Irish Stock Exchange and make such offering circular and any related agreements available in Dublin at the specified office of the Irish Paying Agent.

As used in these Conditions:

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

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

3.2 Issuer Security and Priority of Payments

The Issuer Security in respect of the Notes, Receipts and Coupons and the payment obligations of the Issuer under the Transaction Documents is set out in the Deed of Charge. The Servicing Agreement contains provisions regulating the priority of application of the Issuer Charged Property by the Servicer (and proceeds thereof) among the persons entitled thereto prior to the Issuer Security becoming enforceable and the Deed of Charge contains provisions regulating such application by the Trustee after the Issuer Security has become enforceable.

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

4. COVENANTS

4.1 Restrictions

Save with the prior written consent of the Trustee pursuant to **Condition 12(i)** or as provided in these Conditions or as permitted by the Transaction Documents, the Issuer shall not so long as any of the Notes remains outstanding:

(a) *Negative Pledge:*

(save for the Issuer Security) create or permit to subsist any mortgage, sub-mortgage, standard security, charge, sub-charge, assignment, assignation, pledge, lien, hypothecation or other security interest whatsoever, however created or arising (unless arising by operation of law) over any of its property, assets or undertakings (including the Issuer Charged Property) or any interest, estate, right, title or benefit therein or use, invest or dispose of, including by way of sale or the grant of any security interest of whatsoever nature or otherwise deal with, or agree or attempt or purport to sell or otherwise dispose of (in each case whether by one transaction or a series of transactions) or grant any option or right to acquire any such property, assets or undertaking present or future;

(b) *Restrictions on Activities:*

- (i) engage in any activity whatsoever which is not, or is not reasonably incidental to, any of the activities in which the Transaction Documents provide or envisage the Issuer will engage in;
- (ii) open or have an interest in any account whatsoever with any bank or other financial institution, save where such account or the Issuer's interest therein is immediately charged in favour of the Trustee so as to form part of the Issuer Security;
- (iii) have any subsidiaries;
- (iv) own or lease any premises or have any employees;
- (v) amend, supplement or otherwise modify its memorandum and articles of association; or
- (vi) issue any further shares;

(c) *Borrowings:*

incur or permit to subsist any other indebtedness in respect of borrowed money whatsoever, except in respect of the Notes, or give any guarantee or indemnity in respect of any indebtedness or of any other obligation of any person;

(d) *Merger:*

consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entirety to any other person unless:

- (i) the person (if other than the Issuer) which is formed pursuant to or survives such consolidation or merger or which acquires by conveyance or transfer the properties and assets of the Issuer substantially as an entirety shall be a person incorporated and existing under the laws of England and Wales, the objects of which include the funding, purchase and administration of mortgages and mortgage loans, and who shall expressly assume, by an instrument supplemental to each of the Transaction Documents, in form and substance satisfactory to the Trustee, the obligation to make due and punctual payment of all moneys owing by the Issuer, including principal and interest on the Notes, and the performance and observance of every covenant in each of the Transaction Documents to be performed or observed on the part of the Issuer;
- (ii) immediately after giving effect to such transaction, no Note Event of Default (as defined in **Condition 10**) shall have occurred and be continuing;
- (iii) such consolidation, merger, conveyance or transfer has been approved by Extraordinary Resolution of each Class of the Noteholders;
- (iv) all persons required by the Trustee shall have executed and delivered such documentation as the Trustee may require;
- (v) the Issuer shall have delivered to the Trustee a legal opinion of English lawyers acceptable to the Trustee in a form acceptable to the Trustee to the effect that such consolidation, merger, conveyance or transfer and such supplemental instruments and other documents comply with paragraphs (i) and (iv) above and are binding on the Issuer (or any successor thereto); and

- (vi) the then current ratings of the Notes are not downgraded, withdrawn or qualified by such consolidation, merger, conveyance or transfer;
- (e) *Disposal of Assets:*
transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertaking or any interest, estate, right, title or benefit therein;
- (f) *Assets:*
own assets other than those representing its share capital, the funds arising from the issue of the Notes, the property, rights and assets secured by the Issuer Security and associated and ancillary rights and interests thereto, the benefit of the Transaction Documents and any investments and other rights or interests created or acquired thereunder, as all of the same may vary from time to time;
- (g) *Dividends or Distributions:*
pay any dividend or make any other distribution to its shareholders or issue any further shares, other than in accordance with the Deed of Charge;
- (h) *VAT:*
apply to become part of any group for the purposes of section 43 of the Value Added Tax Act 1994 with any other company or group of companies, or any such act, regulation, order, statutory instrument or directive which may from time to time re-enact, replace, amend, vary, codify, consolidate or repeal the Value Added Tax Act 1994; or
- (i) *Other:*
cause or permit the validity or effectiveness of any of the Transaction Documents, or the priority of the security interests created thereby, to be amended, terminated, postponed or discharged, or consent to any variation of, or exercise any powers of consent or waiver pursuant to the Note Trust Deed, the Deed of Charge or any of the other Transaction Documents, or dispose of any part of the Issuer Charged Property.

In giving any consent to the foregoing, the Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders, provided that each of the Rating Agencies has provided written confirmation to the Trustee that the then applicable ratings of each class of Notes then rated thereby will not be downgraded, withdrawn or qualified as a result thereof.

4.2 Servicer

- (a) So long as any of the Notes remains outstanding, the Issuer will procure that there will at all times be a servicer for the servicing of the Loans (as defined in the Master Definitions Schedule) and the performance of the other administrative duties set out in the Servicing Agreement.
- (b) The Servicing Agreement will provide that (i) the Servicer will not be permitted to terminate its appointment unless a replacement servicer acceptable to the Issuer, the Borrower (such consent not to be unreasonably withheld or delayed and in any case to be deemed to have been given if the Borrower does not object within ten Business Days of being notified of the identity of the proposed substitute servicer or special servicer (as the case may be)) and the Trustee has been appointed and (ii) the appointment of the Servicer may be terminated by the Trustee if, among other things, the Servicer defaults in any material respect in the observance and performance of any obligation imposed on it under the Servicing Agreement, which default is not remedied within 30 Business Days after written notice of such default shall have been served on the Servicer by the Issuer or the Trustee.

4.3 Special Servicer

If the Loans have become specially serviced in accordance with the Servicing Agreement, then the Issuer, upon being so instructed by an Extraordinary Resolution of the Class of Noteholders then acting as Controlling Party, will exercise its rights under the Servicing Agreement to appoint

a substitute or successor special servicer in respect of the Loans subject to the conditions of the Servicing Agreement.

- (a) Subject to **paragraph (b)** below, **Controlling Party** means, at any time:
- (i) the holders of the most junior Class of Notes then having a Principal Amount Outstanding (as defined below) greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date; or
 - (ii) if no Class of Notes then has a Principal Amount Outstanding greater than 25 per cent. of its original aggregate Principal Amount Outstanding on the Closing Date, the holders of the then most junior Class of Notes.
- (b) If:
- (A) one or more Affiliates of the Borrower holds Notes of the Class that would be determined to be the Controlling Party under **paragraph (a)** above but for this **paragraph (b)**; and
 - (B) that Affiliate or Affiliates Note holding entitles it or them acting alone or in concert to pass an Extraordinary Resolution (such Class, the **Excluded Class**),
- then, the Excluded Class will be disregarded when determining the Controlling Party under **paragraph (a)** above.

4.4 Operating Adviser

The Class of Noteholders then acting as Controlling Party may, by an Extraordinary Resolution passed by that class, appoint an adviser (the **Operating Adviser**) with whom the Servicer or Special Servicer, as the case may be, will be required to liaise in accordance with the Servicing Agreement.

5. INTEREST

5.1 Period of Accrual

The Notes will bear interest from (and including) the Closing Date. Interest shall cease to accrue on any part of the Principal Amount Outstanding (as defined in **Condition 6.3(a)**) of any Note from the due date for redemption unless, upon due presentation, payment of principal or any part thereof due is improperly withheld or refused or any other default is made in respect thereof. In such event, interest will continue to accrue as provided in the Note Trust Deed.

5.2 Interest Payment Dates and Interest Periods

- (a) Interest on the Notes is, subject as provided below in relation to the first payment, payable quarterly in arrear on 31 January, 30 April, 31 July and 31 October in each year or, if any such day is not a Business Day (as defined below), the following Business Day in that calendar month (if there is one) or the first preceding day that is a Business Day) (each, an **Interest Payment Date**). The first such payment is due on the Interest Payment Date falling in July 2005 in respect of the period from (and including) the Closing Date to (but excluding) that Interest Payment Date.
- (b) Each period from (and including) an Interest Payment Date (or the Closing Date, in the case of the first Interest Period) to (but excluding) the next (or, in the case of the first Interest Period, the first) Interest Payment Date is in these Conditions called an **Interest Period**.

5.3 Rates of Interest

The rate of interest payable from time to time (the **Rate of Interest**) and the Interest Payment (as defined below) in respect of each Class of Notes will be determined by the Agent Bank on the basis of the following provisions:

- (a) The Agent Bank will, at or as soon as practicable after 11.00 a.m. (London time) on each Interest Payment Date, and in respect of the first Interest Period, on the Closing Date (each, an **Interest Determination Date**), determine the Rate of Interest applicable to, and calculate the amount of interest payable on each of the Notes (each payment so calculated, an **Interest Payment**), for the next Interest Period. The Rate of Interest applicable to the Notes of each Class for any Interest Period will be equal to:
- (i) in the case of the Class A Notes, LIBOR (as determined in accordance with **Condition 5.3(b)**) plus a margin of 0.17 per cent. per annum;

- (ii) in the case of the Class B Notes, LIBOR (as so determined) plus a margin of 0.21 per cent. per annum;
- (iii) in the case of the Class C Notes, LIBOR (as so determined) plus a margin of 0.38 per cent. per annum; and
- (iv) in the case of the Class D Notes, LIBOR (as so determined) plus a margin of 0.70 per cent. per annum.

The Interest Payment in relation to a Note of a particular Class shall be calculated by applying the Rate of Interest applicable to the Notes of that Class to the Principal Amount Outstanding of such Note of that Class, multiplying the product of such calculation by the actual number of days in the relevant Interest Period divided by 365 and rounding the resultant figure to the nearest penny (fractions of half a penny being rounded upwards).

For the purposes of these Conditions:

Business Day means a day (other than Saturday or Sunday or a public holiday) on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in London.

- (b) For the purposes of determining the Rate of Interest in respect of each Class of Notes under **Condition 5.3(a)**, LIBOR will be determined by the Agent Bank on the basis of the following provisions:
 - (i) on each Interest Determination Date, the Agent Bank will determine the interest rate for three month sterling deposits (or, in respect of the first Interest Period, a linear interpolation of the rate for three month and four month sterling deposits) in the London inter-bank market which appears on Moneyline Telerate Screen No. 3750 (or (x) such other page as may replace Moneyline Telerate Screen No. 3750 on that service for the purpose of displaying such information or (y) if that service ceases to display such information, LIBOR 01 Reuters) (the **LIBOR Screen Rate**) at or about 11.00 a.m. (London time) on such date; or
 - (ii) if the LIBOR Screen Rate is not then available for any Interest Period, the arithmetic mean (rounded to four decimal places, 0.00005 rounded upwards) of the rates notified to the Agent Bank at its request by each of four reference banks duly appointed by it for such purpose (the **Reference Banks** provided that, once a Reference Bank has been appointed by the Agent Bank that Reference Bank shall not be changed unless and until it ceases to be capable of acting as such) as the rate at which deposits in sterling are offered for the same period as that Interest Period by those Reference Banks to prime banks in the London inter-bank market at or about 11.00 a.m. (London time) on that date. If, on any such Interest Determination Date, at least two of the Reference Banks provide such offered quotations to the Agent Bank the relevant rate shall be determined, as aforesaid, on the basis of the offered quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one of the Reference Banks provides the Agent Bank with such an offered quotation, the Agent Bank shall forthwith consult with the Trustee and the Issuer for the purposes of agreeing one additional bank to provide such a quotation to the Agent Bank (which bank is in the sole opinion of the Trustee suitable for such purpose) and the rate for the Interest Period in question shall be determined, as aforesaid, on the basis of the offered quotations of such Reference Bank and such bank as so agreed. If no such bank is so agreed or such bank as so agreed does not provide such a quotation, or if, on such Interest Determination Date, none of the Reference Banks provides the Agent Bank with such an offered quotation, then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to four decimal places, 0.00005 being rounded upwards) of the rates quoted by major banks in London, selected by the Agent Bank, at approximately 11.00 a.m. (London time) on the Closing Date or the relevant Interest Determination Date, as the case may be, for loans in sterling to leading European banks for a period of three months.
- (c) There will be no minimum or maximum Rate of Interest.

5.4 Publication of Rates of Interest and Interest Payments

The Agent Bank will cause the Rate of Interest and the Interest Payment relating to each Class of Notes for each Interest Period and the Interest Payment Date to be forthwith notified to the Issuer, the Trustee, the Servicer, the Paying Agents, the Noteholders in accordance with **Condition 15**

and, for so long as the Notes are listed on the Irish Stock Exchange Limited (the **Irish Stock Exchange**), the Irish Stock Exchange within two Business Days of the relevant Interest Determination Date. The Interest Payments and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of a lengthening or shortening of such Interest Period.

5.5 Determination or Calculation by Trustee

If the Agent Bank at any time for any reason does not determine the Rates of Interest or calculate an Interest Payment in accordance with **paragraph 5.3** above, the Trustee shall procure the determination of the Rates of Interest at such rates as, in its absolute discretion (having such regard as it shall think fit to the procedure described in **paragraph 5.3** above), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Payment in accordance with **paragraph 5.3** above, and each such determination or calculation shall be deemed to have been made by the Agent Bank.

5.6 Notification to be Final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition, whether by the Reference Banks (or any of them) or the Agent Bank or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Reference Banks, the Agent Bank, the Paying Agents, the Trustee and all Noteholders and (in the absence as aforesaid) no liability to the Noteholders shall attach to the Issuer, the Reference Banks, the Agent Bank, the Paying Agents or the Trustee in connection with the exercise by them of any of their powers, duties and discretions under this Condition.

5.7 Agent Bank

The Issuer will procure that, so long as any of the Notes remain outstanding, there will at all times be an Agent Bank. The Issuer reserves the right at any time with the prior written consent of the Trustee to terminate the appointment of the Agent Bank. Notice of any such termination will be given to the Noteholders in accordance with **Condition 15**. If any person shall be unable or unwilling to continue to act as the Agent Bank, or if the appointment of the Agent Bank shall be terminated, the Issuer will, with the written approval of the Trustee, appoint a successor Agent Bank to act as such in its place, provided that neither the resignation nor the removal of the Agent Bank shall take effect until a successor approved by the Trustee has been appointed.

5.8 Deferral of Payment

- (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 Pre-Acceleration Priority of Payments. If, on any Interest Payment Date, the Issuer has insufficient funds to make payment in full of all amounts of interest (including any Deferred Interest (as defined below) and accrued interest thereon) payable in respect of the Class B Notes and/or the Class C Notes and/or the Class D Notes after having paid or provided for items of higher priority, then:
- (i) the Issuer shall be entitled (unless there are then no Class A Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class B Notes:
 - (A) if it then defers all payments of interest then due (but for the provisions of this paragraph (A)) in respect of the Class C Notes and the Class D Notes; and
 - (B) 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;
 - (ii) the Issuer shall be entitled (unless there are then no Class A Notes and/or Class B Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class C Notes:
 - (A) if it then defers all payments of interest then due (but for the provisions of this paragraph (A)) in respect of the Class D Notes; and
 - (B) to the extent only of any insufficiency of funds after having paid or provided for all amounts specified as having a higher priority than interest payable in respect of the Class C Notes;

- (iii) the Issuer shall be entitled (unless there are then no Class A Notes and/or Class B Notes and/or Class C Notes outstanding) to defer, to the next Interest Payment Date, the payment of interest in respect of the Class D 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 D Notes.
- (b) Any amount of interest (including any Deferred Interest arising on any preceding Interest Payment Date and accrued interest thereon) on the Class B Notes and/or the Class C Notes and/or the Class D Notes which is not due and payable on an Interest Payment Date as a result of the provisions of this **paragraph 5.8** is the **Class B Deferred Interest**, the **Class C Deferred Interest** and the **Class D Deferred Interest** respectively and, together, the **Deferred Interest** arising on any such Interest Payment Date. Interest will accrue on the amount of any such Deferred Interest at the rate from time to time applicable to the Class B Notes, the Class C Notes or the Class D Notes (as the case may be) and on the same basis as interest on the Class B Notes, the Class C Notes or the Class D Notes (as the case may be) then applicable. Any Deferred Interest and accrued interest thereon is payable on the next Interest Payment Date unless and to the extent that this **paragraph 5.8** applies.
- (c) As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes, the Class C Notes or the Class D Notes will be deferred or that a payment previously deferred will be made in accordance with this **paragraph 5.8** the Issuer will give notice thereof to the Class B Noteholders, the Class C Noteholders or the Class D Noteholders (as the case may be) in accordance with **Condition 15**. Any deferral of interest in accordance with this **paragraph 5.8** will not constitute a Note Event of Default. The provisions of this **paragraph 5.8** shall cease to apply on the Final Maturity Date or any earlier date on which the Notes become due and repayable in full, at which time all Deferred Interest and accrued interest thereon shall become due and payable.

6. REDEMPTION AND POST ENFORCEMENT CALL OPTION

6.1 Final Redemption

Save to the extent otherwise redeemed or cancelled in accordance with this **Condition 6**, the Issuer shall redeem the Notes of each Class at their respective Principal Amounts Outstanding plus interest accrued and unpaid on the Interest Payment Date in July 2014 (the **Final Maturity Date**).

Without prejudice to **Condition 10**, the Issuer shall not redeem Notes in whole or in part prior to that date except as provided in **Condition 6.2** or **6.3**.

6.2 Redemption for Taxation or Other Reasons

- (a) If the Issuer at any time satisfies the Trustee immediately prior to the giving of the notice referred to below that either (i) on the occasion of the next Interest Payment Date the Issuer would become subject to tax on its income in more than one jurisdiction, or the Issuer or any Paying Agent 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 Loans, 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 become or will become unlawful for the Issuer to make, lend or to allow to remain outstanding all or any advances made or to be made by it under the Credit Agreement, then the Issuer shall, in order to address the event described, appoint a Paying Agent in another jurisdiction or use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved in writing by the Trustee as principal debtor under the Notes in accordance with Condition 12(c).
- (b) If the Issuer is unable to appoint such a Paying Agent or arrange such a substitution which would have the result of avoiding the event described above, then the Issuer shall, having given not more than 60 nor less than 30 days' notice (on (in the case of paragraph (a)(ii) above) such shorter notice period expiring on or before the latest date permitted by the relevant law) to the Noteholders in accordance with Condition 15, redeem all (but not some only) of the Notes at their respective Principal Amounts Outstanding together with accrued interest on the next Interest Payment Date, provided that, prior to giving any such notice, the Issuer shall have satisfied the

Trustee that it will have the funds, not subject to the interest of any other person, required to fulfil its obligations hereunder in respect of the Notes and any amounts required under the Servicing Agreement and/or the Deed of Charge to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the event described above will apply on the occasion of the next Interest Payment Date and cannot be avoided by the Issuer appointing such a Paying Agent, or, as the case may be, using reasonable endeavours to arrange a substitution as aforesaid and that the Issuer will have the funds referred to above; and the Trustee shall (in the absence of manifest error) accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above and it shall be conclusive and binding on the Noteholders.

6.3 Mandatory Redemption in Whole or in Part

- (a) If the Issuer receives a notice from the Borrower pursuant to the Credit Agreement that the Borrower intends to prepay all or part of the Loans on or before the next Interest Payment Date, the Issuer will, having given not more than 60 nor less than 30 days' notice to the Noteholders in accordance with Condition 15, redeem some or all of a specified Principal Amount Outstanding of the corresponding Class or Classes of Notes equal to the principal amount of the Loans being prepaid at a price equal to their Principal Amount Outstanding together with accrued interest provided that, prior to giving any such notice, the Issuer shall have satisfied the Trustee that it has or will have the funds, not subject to the interest of any other person, required to fulfil its obligations hereunder in respect of the Notes and any amounts required under the Servicing Agreement and/or the Deed of Charge then to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer will have such funds; and the Trustee shall (in the absence of manifest error) accept the certificate as sufficient evidence of the satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.

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

- (b) If the Loans are sold or transferred pursuant to the Credit Agreement, the Issuer will, having given not more than 60 nor less than 30 days' notice to the Trustee and the Noteholders in accordance with Condition 15, redeem all (but not some only) of the Notes at their respective Principal Amount Outstanding together with accrued interest on the next Interest Payment Date provided that, prior to giving any such notice, the Issuer shall have satisfied the Trustee that it has or will have the funds, not subject to the interest of any other persons, required to fulfil its obligations hereunder in respect of the Notes and any amounts required under the Servicing Agreement and/or the Deed of Charge then to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer will have such funds; and the Trustee shall accept the certificate as sufficient evidence of satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.
- (c) If Replacement Notes (as defined in Condition 16.2) are to be issued, the Issuer may, having given not more than 60 nor less than 30 days' notice to the Noteholders in accordance with Condition 15, on any Interest Payment Date redeem only the relevant Class or Classes of Notes to be replaced at a price equal to their Principal Amount Outstanding together with accrued interest provided that, prior to giving any such notice, the Issuer shall have satisfied the Trustee that it will have the funds, not subject to the interest of any other person, required to fulfil its obligations hereunder in respect of the Notes and any amounts required under the Servicing Agreement and/or the Deed of Charge then to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer will have such funds; and the Trustee shall (in the absence of manifest error) accept the certificate as sufficient evidence of the satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.
- (d) The Issuer shall give not more than 60 nor less than 30 days' notice to the Trustee and Noteholders in accordance with Condition 15 that it will redeem all (but not some only) of the Notes at their specified Principal Amount Outstanding together with accrued interest on the Interest Payment Date falling in July 2012, provided that, prior to giving any such notice, the Issuer shall have satisfied the Trustee that it has or will have the funds, not subject to the interest of any other person, required to fulfil its obligations hereunder in respect of the Notes and any

amounts required under the Servicing Agreement and/or the Deed of Charge then to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer will have such funds; and the Trustee shall (in the absence of manifest error) accept the certificate as sufficient evidence of satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.

- (e) Upon receipt by the Issuer of any amount of principal payments received or recovered by or on behalf of the Issuer in respect of the Loans as a result of enforcement procedures or other actions taken in respect of the Loans, the Issuer will, having given not more than 60 nor less than 30 days' notice to the Trustee and Noteholders in accordance with Condition 15, redeem some or all of a specified Principal Amount Outstanding of the Notes together with accrued interest on the next Interest Payment Date, provided that, prior to giving any such notice, the Issuer shall have satisfied the Trustee that it has or will have the funds, not subject to the interest of any other person, required to fulfil its obligations hereunder in respect of the Notes and any amounts required under the Servicing Agreement and/or the Deed of Charge then to be paid *pari passu* with, or in priority to, the Notes and shall have delivered to the Trustee a certificate signed by two directors of the Issuer stating that the Issuer will have such funds; and the Trustee shall (in the absence of manifest error) accept the certificate as sufficient evidence of satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.

6.4 Notice of Redemption

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

6.5 Purchase

The Issuer shall not purchase Notes.

6.6 Cancellation

All Notes redeemed in full will be cancelled forthwith and may not be reissued.

6.7 Post Enforcement Call Option

All of the Noteholders will, at the request of Opera Finance (Options) Limited, sell all (but not some only) of their holdings of Class B Notes, Class C Notes and Class D Notes to Opera Finance (Options) Limited, pursuant to the option granted to it by the Trustee (as agent for the Class B Noteholders, the Class C Noteholders and the Class D Noteholder) to acquire all (but not some only) of the Class B Notes, Class C Notes and Class D Notes (plus accrued interest thereon), for the consideration of one penny per Note outstanding in the event that the Issuer Security is enforced, at any time after the date on which the Trustee determines that the proceeds of such enforcement are insufficient, after payment of all other claims ranking higher in priority to the Class B Notes, Class C Notes and Class D Notes and pro rata payment of all claims ranking in equal priority to the Class B Notes, Class C Notes and Class D Notes and after the application of any such proceeds to the Class A Notes, Class B Notes, Class C Notes and Class D Notes under the Deed of Charge, to pay any further principal and interest and any other amounts whatsoever due in respect of the Class B Notes, Class C Notes and Class D Notes.

Furthermore, each of the Class B Noteholders, the Class C Noteholders and the Class D Noteholders acknowledges that the Trustee has the authority and the power to bind the the Class B Noteholders, the Class C Noteholders and the Class D Noteholders in accordance with the terms and conditions set out in the Post Enforcement Call Option Agreement and each Class B Noteholder, Class C Noteholder and Class D Noteholder, by subscribing for or purchasing the relevant Class B Notes, Class C Notes and Class D Notes, agrees to be so bound.

Notice of such determination will be given by the Trustee to the Class B Noteholders, the Class C Noteholders and the Class D Noteholders in accordance with Condition 15. The consideration will be paid in the same manner as payment of principal under these Conditions.

7. PAYMENTS

- (a) Payments of principal and interest in respect of the Notes will be made in sterling against presentation of the relevant Global Notes or Definitive Notes, Receipts and/or Coupons (as the case may be) at the specified office of the Principal Paying Agent or, at the option of the holder of

the relevant Global Notes or Definitive Notes (as the case may be), at the specified office of any other Paying Agent outside the United States of America. Payments of principal and interest will in each case be made by sterling cheque drawn on a bank in London and posted in Ireland or, at the option of the holder, by transfer to a sterling denominated account maintained by the payee with a branch of a bank in London. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on the relevant Global Note by the Paying Agent to which such Global Note was presented for the purpose of making such payment, and such record shall be prima facie evidence that the payment in question has been made. Payments of principal and interest in respect of the Notes will be subject in all cases to any fiscal or other laws and regulations applicable thereto and to normal banking practice. Upon the date on which any Definitive Note becomes due and repayable in full, all unmatured Receipts and Coupons appertaining to such Definitive Note (whether or not attached) shall become void and no payment shall be made in respect of such Coupons.

- (b) None of the persons appearing from time to time in the records of Euroclear or Clearstream, Luxembourg as the holder of a Note of the relevant Class or as being entitled to a particular principal amount of Notes shall have any claim directly against the Issuer or the Trustee in respect of payments due on such Note or principal amount whilst such Note(s) is/are represented by a Global Note and the Issuer or the Trustee, as the case may be, shall be discharged by payment of the relevant amount to the bearer of the relevant Global Note.
- (c) If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note in accordance with Condition 5 and the provisions of the Note Trust Deed will be paid against presentation of such Note at the specified office of any Paying Agent.
- (d) If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day and shall not be entitled to further payments of additional amounts by way of interest, principal or otherwise. In this Condition 7(d) the expression **Payment Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place of presentation and which is a Business Day.
- (e) If a Paying Agent makes a partial payment in respect of any Note presented to it for payment, such Paying Agent will endorse on the relevant Note a statement indicating the amount and date of such payment.
- (f) The initial Principal Paying Agent and the initial Irish Paying Agent and their initial specified offices are listed at the end of these Conditions. The Issuer reserves the right, subject to the prior written approval of the Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent or the Irish Paying Agent and to appoint additional or other Paying Agents. The Issuer will at all times maintain a Principal Paying Agent and also a Paying Agent with a specified office in Dublin. The Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive. The Issuer will cause at least 30 days' notice of any change in or addition to the Paying Agents or their specified offices to be given in accordance with Condition 15.

8. PRESCRIPTION

Claims in respect of Notes, Receipts and Coupons shall become void unless made within 10 years, in the case of principal, and five years, in the case of interest, of the appropriate relevant date. In this Condition, the **relevant date** means the date on which a payment first becomes due or (if the full amount of the moneys payable has not been duly received by the Paying Agents or the Trustee on or prior to such date) the date on which notice that the full amount of such moneys has been received is duly given to the Noteholders in accordance with Condition 15.

9. TAXATION

All payments in respect of the Notes will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer

(or any Paying Agent) is required by applicable law to make any payment in respect of the Notes subject to any withholding or deduction for, or on account of, any such taxes, duties or charges. In that event, the Issuer or such Paying Agent (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer nor any such Paying Agent will be obliged to make any additional payments to Noteholders in respect of any such withholding or deduction.

10. EVENTS OF DEFAULT

- (a) The Trustee at its absolute discretion may, and if so requested in writing by the holders of not less than 25 per cent. in aggregate Principal Amount Outstanding of the Most Senior Class of Notes then outstanding or if so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding shall, (subject in each case to its being secured and/or indemnified to its satisfaction) give notice in writing (an **Acceleration Notice**) to the Issuer declaring the Notes to be due and repayable (and they shall forthwith become due and repayable) at any time after the happening of any of the following events (each, a **Note Event of Default**):
- (i) default being made for a period of three days in the payment of any principal of, or default is made for a period of five days in the payment of any interest on, any Note when and as the same ought to be paid in accordance with these Conditions provided that a deferral of interest in accordance with **Condition 5.8** shall not constitute a default in the payment of such interest for the purposes of this **Condition 10(a)(i)**; or
 - (ii) breach by the Issuer of any representation or warranty made by it in these Conditions, the Note Trust Deed or any of the other Transaction Documents to which it is a party and in any such case (except where the Trustee certifies that, in its opinion, such breach is incapable of remedy, when no notice will be required), such breach continuing for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice in writing requiring the same to be remedied; or
 - (iii) the Issuer failing duly to perform or observe any other obligation, condition or provision binding upon it under these Conditions, the Note Trust Deed or any of the other Transaction Documents to which it is a party and in any such case (except where the Trustee certifies that, in its opinion, such failure is incapable of remedy, when no notice will be required), such failure continuing for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice in writing requiring the same to be remedied; or
 - (iv) the Issuer, otherwise than for the purposes of such a pre-approved amalgamation or reconstruction as is referred to in **sub-paragraph (v)** below, ceasing or, through an official action of the board of directors of the Issuer, threatening to cease to carry on business (or a substantial part thereof) or the Issuer being (or being deemed to be) unable to pay its debts as and when they fall due; or
 - (v) an order being made or an effective resolution being passed for the winding-up of the Issuer, except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved in writing by the Trustee or an Extraordinary Resolution of the holders of the Most Senior Class of Notes then outstanding; or
 - (vi) proceedings being initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, application to the court for an administration order, documents being filed with the court for the appointment of an administrator or notice of intention to appoint an administrator being served), or an administration order being granted or the appointment of an administrator taking effect or an administrative receiver or other receiver, liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any substantial part of the undertaking or assets of the Issuer or an encumbrancer taking possession of the whole or any substantial part of the undertaking or assets of the Issuer, or a distress, execution, diligence or other process being levied or enforced upon or sued out against the whole or any substantial part of the undertaking or assets of the Issuer, and such proceedings, distress, execution, diligence or process (as the case may be) (unless initiated by the Issuer) not being discharged or not otherwise ceasing to apply within 15 days, or the Issuer

initiating or consenting to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or making a conveyance or assignment for the benefit of its creditors generally,

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

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

11. ENFORCEMENT

- (a) The Trustee may, at its discretion and without notice at any time and from time to time, take such proceedings or other action it may think fit to enforce the provisions of the Transaction Documents to which it is a party, the Notes and Coupons, provided that, subject to **paragraph (c)** below, enforcement of the Issuer Security shall be the only remedy available for the repayment of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes and the payment of accrued interest (including any Deferred Interest and accrued interest thereon) and, at any time after the Issuer Security has become enforceable, take such steps as it may think fit to enforce the Issuer Security, but it shall not be bound to take any such proceedings, action or steps unless (a) it shall have been so directed by an Extraordinary Resolution of the holders of the Most Senior Class of Notes outstanding or so requested in writing by the holders of at least 25 per cent. in aggregate Principal Amount Outstanding for the time being of the Most Senior Class of Notes outstanding and (b) it shall have been secured and/or indemnified to its satisfaction.
- (b) Subject to **paragraph (c)** below, no Noteholder shall be entitled to proceed directly against the Issuer or any other party to the Transaction Documents or to enforce the Issuer Security unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure shall be continuing. The Trustee cannot, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any of the Other Issuer Secured Creditors under the Deed of Charge.
- (c) If the Trustee has taken enforcement action under the Deed of Charge and distributed all of the resulting proceeds (including the proceeds of realising the security thereunder), to the extent that any amount is still owing to any Noteholder (a **Shortfall**), any such Noteholder shall be entitled to proceed directly against the Issuer in order to claim such Shortfall and the Trustee shall not be responsible for any liability occasioned thereby, nor shall it vouch for the validity of such claim.

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

- (a) The Note Trust Deed contains provisions for convening meetings of Noteholders of any Class to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of these Conditions or the provisions of any of the Transaction Documents or any other documents the rights and benefits of the Issuer in respect of which are comprised in the Issuer Security.
- (b) The quorum at any meeting of the Noteholders of any Class for passing an Extraordinary Resolution shall be one or more persons holding or representing over 50 per cent. in aggregate Principal Amount Outstanding of the Notes of the relevant Class then outstanding or, at any adjourned meeting, one or more persons being or representing the Noteholders of the relevant Class whatever the aggregate Principal Amount Outstanding of the Notes of the relevant Class so held or represented except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification (as defined below) the necessary quorum for passing an Extraordinary Resolution shall be one or more persons holding or representing not less than 75 per cent. or, at any adjourned such meeting, not less than 33 per cent. in aggregate Principal Amount Outstanding of the Notes of the relevant Class for the time being outstanding.
- (c) An Extraordinary Resolution passed at any meeting of the Class A Noteholders shall be binding on all the Class B Noteholders, the Class C Noteholders and the Class D Noteholders, irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary

Resolution of each of the Class B Noteholders, the Class C Noteholders and the Class D Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class B Noteholders, the Class C Noteholders and the Class D Noteholders.

- (d) An Extraordinary Resolution passed at any meeting of Class B Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of the Class A Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders.
- (e) An Extraordinary Resolution passed at any meeting of Class B Noteholders, which is effective in accordance with **paragraph (d)**, shall be binding on all Class A Noteholders, Class B Noteholders, Class C Noteholders and Class D Noteholders, irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class C Noteholders and the Class D Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class C Noteholders and Class D Noteholders.
- (f) An Extraordinary Resolution passed at any meeting of Class C Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class A Noteholders and the Class B Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders and the Class B Noteholders.
- (g) An Extraordinary Resolution passed at any meeting of Class C Noteholders, which is effective in accordance with the **paragraph (f)**, shall be binding on all Class A Noteholders, Class B Noteholders, Class C Noteholders and Class D Noteholders, irrespective of its effect upon them except an Extraordinary Resolution to sanction a Basic Terms Modification, which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class D Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class D Noteholders.
- (h) An Extraordinary Resolution passed at any meeting of Class D Noteholders (other than a sanctioning Extraordinary Resolution referred to above) shall not be effective unless it shall have been sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders or the Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders.
- (i) An Extraordinary Resolution passed at any meeting of Class D Noteholders, which is effective in accordance with the **paragraph (h)**, shall be binding on all Class A Noteholders, Class B Noteholders and Class C Noteholders.
- (j) As used in these Conditions and the Note Trust Deed:
 - (i) **Extraordinary Resolution** means (A) a resolution passed at a meeting of any Class of Noteholders duly convened and held in accordance with the Note Trust Deed by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes cast on such poll or (B) a resolution in writing signed by or on behalf of not less than 90 per cent. in aggregate Principal Amount Outstanding of any Class of Noteholders, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders of that Class and shall be as valid, effective and binding as a resolution duly passed at such a meeting; and
 - (ii) **Basic Terms Modification** means, in respect of a Class of Notes:
 - (A) a change in the amount payable or, where applicable, modification of the method of calculating the amount payable or modification of the date of payment or, where applicable, of the method of calculating the date of payment in respect of any principal or interest in respect of such Notes;
 - (B) alteration of the currency in which payments under such Notes and the Coupons appertaining thereto are to be made;
 - (C) alteration of the quorum or the majority required to pass an Extraordinary Resolution;

- (D) the sanctioning of any such scheme or proposal in respect of such Notes as is described in **paragraph 18(i)** of **Schedule 3** to the Note Trust Deed;
 - (E) alteration of this definition or the provisos to **paragraphs 5** and/or **6** of **Schedule 3** to the Note Trust Deed;
 - (F) alteration of the Pre-Enforcement Priority of Payments, the Post-Enforcement Pre-Acceleration Priority of Payments or the Post-Enforcement Priority of Payments; and
 - (G) alteration of the Issuer Charged Property or amendment to any of the documents relating to the Issuer Charged Property or any other provision of the Issuer Security, including any order of priority thereto.
- (k) The Trustee may agree, without the consent of the Noteholders, Receipholders or the Couponholders, (A) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, these Conditions, the Note Trust Deed or any of the other Transaction Documents, which is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or (B) to any modification of these Conditions or any of the Transaction Documents, which, in the Trustee's opinion, is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven. The Trustee may also, without the consent of the Noteholders, the Receipholders or the Couponholders, determine that any Note Event of Default shall not, or shall not subject to specified conditions, be treated as such if, in its opinion, the interests of the Noteholders shall not be materially prejudiced thereby. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receipholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders in accordance with **Condition 15** as soon as practicable thereafter.
- (l) The Trustee may agree, without the consent of the Noteholders, the Receipholders or the Couponholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Note Trust Deed and the Notes, subject to (i) the Notes being unconditionally and irrevocably guaranteed by the Issuer (unless all or substantially all of the assets of the Issuer are transferred to such body corporate), (ii) such body corporate being a single purpose vehicle and undertaking itself to be bound by provisions corresponding to those set out in these Conditions, (iii) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and (iv) certain other conditions set out in the Note Trust Deed being complied with. Any such substitution shall be notified to the Noteholders in accordance with **Condition 15** and the Rating Agencies. In the case of a substitution pursuant to this **paragraph (j)**, the Trustee may in its absolute discretion agree, without the consent of the Noteholders, the Receipholders or the Couponholders, to a change of the laws governing the Notes and/or any of the Transaction Documents provided that such change would not, in the opinion of the Trustee, be materially prejudicial to the interests of the Noteholders. No such substitution shall take effect unless it applies to all the Notes then outstanding.

13. INDEMNIFICATION AND EXONERATION OF THE TRUSTEE

- (a) The Note Trust Deed and certain of the Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of the Trustee and providing for its indemnification in certain circumstances, including provisions relieving it from taking enforcement proceedings or enforcing the Issuer Security or taking any other action in relation to the Note Trust Deed or the other Transaction Documents unless secured and/or indemnified to its satisfaction. The Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer Charged Property, or any deeds or documents of title thereto, being uninsured or inadequately insured or being held by or to the order of Eurohypo or any agent or related company of Eurohypo or by clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other persons whether or not on behalf of the Trustee.
- (b) The Note Trust Deed contains provisions pursuant to which the Trustee or any of its related companies is entitled, among other things, (i) to enter into business transactions with the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Charged Property and/or any of their subsidiary or associated companies and to act as trustee for the holders of any other securities issued by or relating to the Issuer and/

or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Charged Property and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Noteholders and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

- (c) The Note Trust Deed also relieves the Trustee of liability for not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Deed of Charge and the Security Agreement. The Trustee has no responsibility in relation to the legality, validity, sufficiency, adequacy and enforceability of the Issuer Security or the Transaction Documents. The Trustee will not be obliged to take any action which might result in its incurring personal liabilities unless secured and/or indemnified to its satisfaction or to supervise the performance by the Servicer or any other person of their obligations under the Transaction Documents and the Trustee shall assume, until it has notice in writing to the contrary, that all such persons are properly performing their duties, notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.
- (d) The Note Trust Deed and certain of the other Transaction Documents contain other provisions limiting the responsibility, duties and liability of the Trustee.
- (e) The Note Trust Deed contains provisions pursuant to which (i) the Trustee may retire at any time on giving not less than three months' prior written notice to the Issuer, and will be relieved of any liability incurred by reason of such retirement and (ii) the Noteholders may by Extraordinary Resolution of the holders of each Class of Notes remove the Trustee. The retirement or removal of the Trustee will not become effective until a successor trustee is appointed. The Trustee is entitled to appoint a successor trustee in the circumstances specified in the Note Trust Deed.

14. REPLACEMENT OF THE NOTES

14.1 Definitive Notes and Coupons

If a Definitive Note, Receipt, Coupon or Talon is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent. Replacement thereof will only be made on payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the relevant Paying Agent may reasonably require. If mutilated or defaced, the Definitive Note, Receipt, Coupon or Talon must be surrendered before a new one will be issued.

14.2 Global Notes

If a Global Note is lost, stolen, mutilated, defaced or destroyed, it shall, upon satisfactory evidence of such loss, theft, mutilation, defacement or destruction being given to the Issuer and the Trustee, become void and a duly executed and authenticated replacement Global Note will be delivered by the Issuer to the Common Depositary only upon surrender, in the case of mutilation or defacement, of the relevant Global Note. Replacement thereof will only be made upon payment of such costs as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer and the Principal Paying Agent may reasonably require.

15. NOTICE TO NOTEHOLDERS

- (a) Any notice to the Noteholders shall be validly given if published (a) in one leading London daily newspaper (which is expected to be the *Financial Times*) and (b) (for so long as the Notes are listed on the Irish Stock Exchange and the rules of that exchange so require) in a leading English language newspaper having general circulation in Dublin (which is expected to be *The Irish Times*) or, if either such newspaper shall cease to be published or timely publication therein shall not be practicable, in the opinion of the Trustee, in another appropriate newspaper or newspapers as the Trustee shall approve having a general circulation in London or Dublin (as appropriate) previously approved in writing by the Trustee. Any such notice published in a newspaper as aforesaid shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required. If publication is not practicable in any such newspaper as is mentioned above, notice will be valid if given in such other manner, and shall be deemed to have been given on such date, as the Trustee shall determine.

- (b) Whilst the Notes are represented by Global Notes notices to Noteholders may be given by delivery of the relevant notice to Clearstream, Luxembourg and/or Euroclear for communication by them to Noteholders rather than by notification as required above provided that so long as the Notes are listed on the Irish Stock Exchange, the Irish Stock Exchange so agrees. Any notice delivered to Clearstream, Luxembourg and/or Euroclear as aforesaid shall be deemed to have been given on the day after the day of such delivery.
- (c) A copy of each notice given in accordance with this **Condition 15** shall be provided to each of Fitch Ratings Ltd (**Fitch**) and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (**S&P** and, together with Fitch, the **Rating Agencies**, which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer to provide a credit rating in respect of the Notes or any Class thereof). For the avoidance of doubt, and unless the context otherwise requires, all references to rating and ratings in these Conditions shall be deemed to be references to the ratings assigned by the Rating Agencies.
- (d) The Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a Class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Trustee shall require.

16. FURTHER ISSUES, REPLACEMENT NOTES AND NEW NOTES

16.1 Further Issues

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

- (a) the aggregate principal amount of all Further Notes to be issued on such date is in a minimum amount of £5,000,000 and integral multiples thereafter of £1,000,000;
- (b) any Further Notes are assigned the same ratings by the Rating Agencies as applicable to the corresponding Class of Notes as at the Closing Date;
- (c) the Rating Agencies confirm that the ratings of each Class of Notes at that time outstanding will not be downgraded, withdrawn or qualified as a result of such issue of Further 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 Credit Agreement;
- (e) such encumbrances necessary to maintain the then current ratings referred to in (c) above or to obtain the necessary ratings for the Further Notes are given in favour of the Trustee, the Facility Agent, and/or the Issuer by the Borrower at the date of issue of the Further Notes (if applicable);
- (f) no Event of Default under the Loans has occurred and is continuing or would occur as a result of such issue of Further Notes;
- (g) the Issuer's liabilities in respect of such Further Notes are hedged to the satisfaction of the Rating Agencies then rating the Notes;
- (h) no Note Event of Default has occurred and is continuing or would occur as a result of such issue of Further Notes; and
- (i) application will be made to list the Further Notes on the Irish Stock Exchange, or if the Notes then issued are no longer listed on the Irish Stock Exchange, on such exchange, if any, on which the Notes then issued are then listed.

16.2 Replacement Notes

The Issuer will also be entitled (but not obliged) at its option from time to time on any date, without the consent of the Noteholders or Couponholders, to issue notes (**Replacement Notes**), each class of which shall be required to have the same terms and conditions in all respects as the Class of Notes which it replaces except in relation to (aa) the first Interest Period and (bb) the rate

of interest applicable to such Replacement Notes and shall on issue be in a principal amount which in aggregate does not exceed the aggregate Principal Amount Outstanding of the class of Notes which it replaces, *provided that* the Class or Classes of Notes to be replaced are redeemed in full in accordance with **Condition 6.3(d)** and the conditions to the issue of Further Notes as set out in **Condition 16.1(a), (b), (c) and (e) to (i)** are met, *mutatis mutandis*, in respect of such issue of Replacement Notes as if references therein to Further Notes were to Replacement Notes and provided further that, for the purposes of this **Condition 16.2 (i)** where interest in respect of the Replacement Notes or the Class of Notes being replaced is payable on a floating rate basis, the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced shall be deemed to be the fixed rate payable by the Issuer under the interest rate exchange agreement entered into by the Issuer in relation to the Replacement Notes or, as the case may be, the Class of Notes being replaced; and (ii) where the Replacement Notes or the Class of Notes being replaced have the benefit of a financial guarantee or similar arrangement (a **Financial Guarantee**), the guarantee fee and any other amounts payable to the provider of the Financial Guarantee, other than any such amounts the payment of which is subordinated to payments in respect of all of the Notes, (expressed as a percentage rate per annum on the principal amount of the Replacement Notes or, as the case may be, the Class of Notes being replaced) shall be added to the rate of interest applicable to the Replacement Notes or, as the case may be, the Class of Notes being replaced.

16.3 New Notes

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

16.4 Supplemental trust deeds and security

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

17. RIGHTS OF THIRD PARTIES

Neither this Note nor any Coupon confers any rights on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note or any such Coupon, but this does not affect any right or remedy of any person which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

18. GOVERNING LAW

The Note Trust Deed, the Notes and the Coupons are governed by, and will be construed in accordance with, English law.

UNITED KINGDOM TAXATION

The following, which applies only to persons who are the beneficial owners of the Notes, is a summary of the Issuer's understanding of current United Kingdom tax law and Inland Revenue practice as at the date of this Offering Circular relating to certain aspects of the United Kingdom taxation of the Notes. It is not a comprehensive analysis of the tax consequences arising in respect of Notes. Some aspects do not apply to certain classes of taxpayer (such as dealers and persons connected with the Issuer). Prospective Noteholders who are in any doubt about their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

(A) Interest on the Notes

1. Withholding tax on payments of interest on the Notes

For so long as the Notes are and continue to be listed on a “*recognised stock exchange*” within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the **Act**) (the Irish Stock Exchange is such a “*recognised stock exchange*” for this purpose – under a United Kingdom Inland Revenue interpretation, the Notes will satisfy this requirement if they are listed by the competent authority in Ireland and are admitted to trading by the Irish Stock Exchange) interest payments on each of the Notes will be treated as a “*payment of interest on a quoted Eurobond*” within the meaning of section 349 of the Act. In these circumstances, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax irrespective of whether the Notes are in global form or in definitive form.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Notes is paid to a person who belongs in the United Kingdom for United Kingdom tax purposes and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that the Inland Revenue has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the lower rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, or, where a Noteholder is associated with the Issuer, resident in a Member State of the EU and entitled in practice to the benefit of the European Council Directive 2003/49/EC, the Inland Revenue can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

2. Provision of Information

Noteholders who are individuals may wish to note that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Information so obtained may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

3. Further United Kingdom tax issues for non-United Kingdom resident Noteholders

Interest on the Notes will constitute United Kingdom source income and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder (other than certain trustees) who is not resident for tax purposes in the United Kingdom unless that Noteholder carries on a trade, profession or vocation through a United Kingdom branch or agency in connection with which the interest is received or to which the Notes are attributable (and where that Noteholder is a company, unless that Noteholder carries on a trade in the United Kingdom through a permanent establishment in connection with which interest

is received or to which the Notes are attributable). There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may be relevant for such Noteholders.

Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision under an applicable double taxation treaty.

(B) United Kingdom corporation tax payers

In general, Noteholders which are within the charge to United Kingdom corporation tax in respect of the Notes will be charged to tax and obtain relief as income on all returns, profits and gains on, and fluctuations in value of the Notes (whether attributable to currency fluctuation or otherwise) broadly in accordance with their statutory accounting treatment.

(C) Other United Kingdom tax payers

1. Taxation of chargeable gains

The Notes will constitute “qualifying corporate bonds” within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal by a Noteholder of a Note will not give rise to a chargeable gain or an allowable loss for the purposes of the UK taxation of chargeable gains.

2. Accrued income scheme

On a disposal of Notes by a Noteholder, any interest which has accrued between the last Interest Payment Date and the date of disposal may be chargeable to tax as income under the rules of the “*accrued income scheme*” as set out in Chapter II of Part XVII of the Act, if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

(D) Stamp Duty and Stamp Duty Reserve Tax (SDRT)

No United Kingdom stamp duty or SDRT is payable on the issue or transfer by delivery of the Notes.

(E) EU Directive on the Taxation of Savings Income

On 3 June 2003, the European Council of Economic and Finance Ministers adopted a Directive on the taxation of savings income. Under the Directive Member States will (if equivalent measures have been introduced by certain non-EU countries) be required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria will instead be required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependant upon the conclusion of certain other agreements relating to information exchange with certain other countries).

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International Limited whose registered office is at 25 Cabot Square, London E14 4QW (the **Lead Manager**), pursuant to a subscription agreement dated 15 April 2005 (the **Subscription Agreement**), between the Lead Manager, the Issuer and Eurohypo, have agreed, jointly and severally, subject to certain conditions, to subscribe and pay for the Class A Notes at 100 per cent. of the initial principal amount of such Notes, the Class B Notes at 100 per cent. of the initial principal amount of such Notes, the Class C Notes at 100 per cent. of the initial principal amount of such Notes and the Class D Notes at 100 per cent. of the initial principal amount of such Notes.

The Issuer has agreed to reimburse or procure the reimbursement of the Lead Manager for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement is subject to a number of conditions and may be terminated by the 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.

United States of America

The Lead Manager has represented and agreed with the Issuer that the Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the **Securities Act**), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons except in certain transactions exempt from the registration requirements of the Securities Act. The Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date (for the purposes only of this section "*Subscription and Sale*", the **Distribution Compliance Period**) within the United States or to, or for the account or benefit of, U.S. Persons (except in accordance with Rule 903 of Regulation S) and that it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

The Notes are in bearer form and are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in the preceding sentence have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

United Kingdom

The Lead Manager has represented and agreed that:

- (a) it has not offered or sold and, prior to the expiry of the period of six months from the Closing Date will not offer or sell any Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended) or the Financial Services and Markets Act 2000 (**FSMA**);
- (b) it has complied and will comply with all applicable provisions of the FSMA, with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and
- (c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

The Netherlands

The Issuer must verify that all Dutch Residents (as defined below) purchasers of Notes (including rights representing an interest in a Global Note) issued by it directly to such purchasers on or before the Closing Date or issued by it in circumstances where it is reasonably able to identify the Dutch Resident holders thereof (other than the relevant Manager) on or before the Closing Date as Professional Market Parties (as defined below) and shall agree (or procure the relevant Manager agrees) with each such

purchaser that any Notes acquired by it may not be offered, sold, transferred or delivered by any such purchaser, except in accordance with the restrictions referred to below.

The Lead Manager has represented and agreed that this Offering Circular may not be distributed and the Notes (including rights representing an interest in a Global Note) may not be offered, sold, transferred or delivered as part of their initial distribution or at any time thereafter, directly or indirectly, to individuals or legal entities who or which are established, domiciled or have their residence in The Netherlands (**Dutch Residents**) other than to the following entities (referred to as **Professional Market Parties** or **PMPs**) provided they acquire the Notes for their own account and they also trade or invest in securities in the conduct of business or profession:

- (a) banks, insurance companies, securities firms, collective investment institutions or pension funds that are supervised or licensed under Dutch law;
- (b) banks or securities firms licensed or supervised in a European Economic Area member state (other than The Netherlands) and registered with the Dutch Central Bank (*De Nederlandse Bank N.V. (DNB)*) or the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) and acting through a branch office in The Netherlands;
- (c) Netherlands collective investment institutions which offer their shares or participations exclusively to professional investors and are not required to be supervised or licensed under Dutch law;
- (d) the Dutch government (*de Staat der Nederlanden*), DNB, Dutch regional, local or other decentralised governmental institutions, international treaty organisations and international organisations;
- (e) Netherlands enterprises or entities with total assets of at least €500,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Notes;
- (f) Netherlands enterprises, entities or natural persons with net equity assets (*eigen vermogen*) of at least €10,000,000 (or the equivalent thereof in another currency) according to their balance sheet at the end of the financial year preceding the date they purchase or acquire the Notes and who or which have been active in the financial markets on average twice a month over a period of at least two consecutive years preceding such date;
- (g) Netherlands subsidiaries of the entities referred to under (a) above provided such subsidiaries are subject to prudential supervision;
- (h) Netherlands enterprises or entities that have a credit rating from an approved rating agency or whose securities have such a rating; and
- (i) such other entities designated by the competent Netherlands authorities after the date hereof by any amendment of the applicable regulations.

All Notes (whether or not offered to Dutch Residents) shall bear the following legend:

“THIS NOTE (OR ANY INTEREST HEREIN) MAY NOT BE SOLD, TRANSFERRED OR DELIVERED TO INDIVIDUALS OR LEGAL ENTITIES WHO ARE ESTABLISHED, DOMICILED OR HAVE THEIR RESIDENCE IN THE NETHERLANDS (**DUTCH RESIDENTS**) OTHER THAN TO PROFESSIONAL MARKET PARTIES (**PMP**) 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 HEREIN) MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO DUTCH RESIDENTS OTHER THAN TO A PMP ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PMP AND THAT (2) THE HOLDER WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS DESCRIBED HEREIN TO ANY SUBSEQUENT TRANSFEREE.”

France

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

In addition, the Lead Manager has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in France this Offering Circular or any other offering material relating to the Notes other than to investors to whom offers and sales of the Notes in France may be made as described above and that this Offering Circular has not been submitted for approval (*visa*) by the *Autorité des Marchés Financiers* and does not constitute an offer for sale or subscription of securities or subscriptions of securities in France. The Notes may only be issued or sold, directly or indirectly, to the public in France in accordance with Articles L.412-1 and L.621-8 of the French *Code Monétaire et Financier*.

Germany

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

Ireland

The Lead Manager has represented and agreed that:

- (a) other than in circumstances which do not constitute an offer or sale to the public in Ireland or elsewhere by means of a prospectus within the meaning of the Companies Acts, 1963 to 2001 of Ireland (i) prior to application for listing of the Notes being made and the Irish Stock Exchange having approved this Offering Circular in accordance with the Regulations, it has not offered or sold and will not offer or sell, in Ireland or elsewhere, by means of any document or other means of visual reproduction, including electronic means, any of the Notes, (ii) subsequent to application for listing of the Notes being made and the Irish Stock Exchange approving this Offering Circular in accordance with the Regulations, it has not offered or sold and will not offer or sell, in Ireland or elsewhere, any of the Notes by means of any document or other means of visual reproduction, including electronic means, other than this Offering Circular (or any document including electronic means of visual reproduction approved as aforesaid, which sets out listing particulars in relation to the Notes prepared in accordance with the Regulations) and only where this Offering Circular (or such other listing particulars as aforesaid) is accompanied by an application form or an application form is issued which indicates where this Offering Circular (or such other listing particulars as aforesaid) can be obtained or inspected and (iii) it has not issued and will not issue at any time, in Ireland or elsewhere, any application form for any of the Notes unless the application form is accompanied by this Offering Circular (or a document including electronic means of visual reproduction, which sets out listing particulars in relation to the Notes prepared in accordance with the Regulations and approved by the Irish Stock Exchange) or the application form indicates where this Offering Circular or such listing particulars can be obtained or inspected;
- (b) it has not made and will not make at any time any offer of any of the Notes in Ireland to which the European Communities (Transferable Securities and Stock Exchange) Regulations, 1992 of Ireland would apply;
- (c) it 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 the 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 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

- (d) in respect of an offer of the Notes to the public in Ireland or elsewhere within the meaning of the Companies Acts, 1963 to 2001 of Ireland, it will comply with the requirements of section 56 and 57 of the Companies Act, 1963 of Ireland.

General

Except for listing the Notes on the Official List of the Irish Stock Exchange and delivery of this document to the Registrar of Companies in Ireland, no action is being taken in any jurisdiction that would or is intended to permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Issuer or the Notes in any jurisdiction where action for that purpose is required. This Offering Circular does not constitute, and may not be used for the purpose of, an offer or solicitation in or from any jurisdiction where such an offer or solicitation is not authorised. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisement in connection with the Notes may be distributed or published in or from any country or jurisdiction, except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

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 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 14 April 2005.
2. It is expected that listing of the Notes on the Official List of the Irish Stock Exchange will be granted on or about 15 April 2005, subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction.
3. On 9 March 2005 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:

	Common Code	ISIN
Class A	012709778	XS0217097780
Class B	012709794	XS0217097947
Class C	012709816	XS0217098168
Class D	021709832	XS0217098325

5. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Notes are listed on the Official List of the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified offices of the Paying Agent in Dublin. The Issuer does not publish interim accounts.
6. The Issuer is not, and has not been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's financial position.
7. Since the date of its incorporation, the Issuer has entered into the Subscription Agreement, being a contract entered into other than in its ordinary course of business.
8. KPMG LLP have given and not withdrawn its written consent to the inclusion of its report and references to its name in the form and context in which they are included and has authorised the contents of that part of this Offering Circular for the purposes of section 46 of the Irish Companies Act, 1963 (as amended).
9. The financial statements of the Borrower set out in Appendix A have been prepared in accordance with the terms of the Partnership Agreement. As a limited partnership registered under the Limited Partnerships (Jersey) Law 1994, the Borrower is not obliged to, and does not produce, statutory accounts in accordance with the terms of any relevant legislation, including (without limitation) the Companies Act 1985 of the United Kingdom. Accordingly, the financial statements of the Borrower have not been prepared in accordance with generally accepted accounting principles in the United Kingdom or any other generally accepted accounting principles.
10. Knight Frank LLP (the Valuer) has given and not withdrawn its written consent to the inclusion of its report and references to its name in the form and context in which they are included and has authorised the contents of that part of this Offering Circular for the purposes of section 46 of the Irish Companies Act, 1963 (as amended).
11. Save as disclosed herein, since 8 February 2005 (being the date of incorporation of the Issuer), there has been (a) no material adverse change in the financial position or prospects of the Issuer and (b) no significant change in the trading or financial position of the Issuer.
12. The Deed of Charge, the Note Trust Deed and the Security Agreement will provide that the Trustee and the Facility Agent (as applicable) may rely on reports or other information from professional advisors or other experts in accordance with the Deed of Charge, the Note Trust Deed and the Security Agreement (as applicable), whether or not such report or other information, engagement letter or other document entered into by the Trustee or the Facility Agent (as applicable) and the relevant professional advisor or expert in connection therewith contains any limit on the liability of that relevant professional advisor or expert.

13. Copies of the following documents may be inspected during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the offices of the Issuer at 35 Great St. Helen's, London EC3A 6AP and at the specified offices of the Irish Paying Agent in Dublin during the period of 14 days from the date of this document:
- (a) the Memorandum and Articles of Association of the Issuer;
 - (b) the balance sheet of the Issuer as at 15 April 2005 and the auditors report thereon;
 - (c) the balance sheet of the Borrower as at 30 September 2004;
 - (d) the Subscription Agreement referred to in **paragraph 7** above; and
 - (e) drafts (subject to modification) of the following documents (together with the Subscription Agreement, the **Transaction Documents**):
 - (i) the Note Trust Deed;
 - (ii) the Credit Agreement;
 - (iii) the Security Agreement (including the forms of Standard Security and Assignment in Security);
 - (iv) the Deed of Charge;
 - (v) the Subordination Agreement;
 - (vi) the Servicing Agreement;
 - (vii) the Bank Agreement;
 - (viii) the Corporate Services Agreement;
 - (ix) the Share Trust Deed;
 - (x) the Trust Deeds;
 - (xi) the Nominee Declaration of Trust;
 - (xii) the Liquidity Facility Agreement;
 - (xiii) the Agency Agreement;
 - (xiv) the Master Definitions Schedule;
 - (xv) the Mortgage of Shares and;
 - (xvi) the Post Enforcement Call Option Agreement.

**APPENDIX A
FINANCIAL INFORMATION IN RESPECT OF THE BORROWER**

Scottish Retail Property Limited Partnership

BALANCE SHEET as at 30 September 2004 (unaudited)

31 March 2004 (unaudited)			30 September 2004 (unaudited)	
£	£		£	£
		FIXED ASSETS		
		Tangible assets		
483,227,000*		Properties – Investment	494,434,462*	
	483,227,000			494,434,462
		Investments		
	483,227,000			494,434,462
		CURRENT ASSETS		
17,718,416		Trade Debtors	5,918,351	
		Loans to JV partners – British Land	11,771,000	
		– Land Securities	11,771,000	
9,748,064		Cash at bank	5,030,910	
27,466,480			34,491,261	
(10,022,525)		CREDITORS: due within one year	(14,944,822)	
	17,443,955	NET CURRENT ASSETS		19,546,439
	500,670,955	TOTAL ASSETS LESS CURRENT LIABILITIES		513,980,901
		CREDITORS: due after one year		
	500,670,955	NET ASSETS		513,980,901
		CAPITAL AND RESERVES		
	198	Share capital		198
		Capital		
249,850,000		– British Land Partner	249,850,000	
249,850,000		– Land Securities Partner	249,850,000	
	499,700,000			499,700,000
		Profit and loss reserve		
485,378		– British Land Partner	7,140,352	
485,379		– Land Securities Partner	7,140,352	
	970,757			14,280,703

*Properties shown at cost – independent valuation £525,795,000 at 30 September 2004.

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