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This offering circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of OPERA FINANCE (METROCENTRE) PLC, EUROHYPO AG, LONDON BRANCH, THE ROYAL BANK OF SCOTLAND PLC or UBS LIMITED (nor any person who controls it nor any director, officer, employee nor agent of it or affiliate of any such person) accepts any liability or responsibility whatsoever in respect of any difference between the offering circular distributed to you in electronic format and the hard copy version available to you on request from THE ROYAL BANK OF SCOTLAND PLC or UBS LIMITED.



Opera Finance (MetroCentre) plc

(incorporated with limited liability in England and Wales with registration number 05318421)

£600,000,000 Commercial Mortgage Backed Floating Rate Notes due 2017

Opera Finance (MetroCentre) plc (the **Issuer**) will issue the £440,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2017 (the **Class A Notes**), the £52,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2017 (the **Class B Notes**), the £40,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2017 (the **Class C Notes**) and the £68,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2017 (the **Class D Notes**) and, together with the Class A Notes, the Class B Notes and the Class C Notes, the **Notes**) on 2 February 2005 (or such later date as the Issuer may agree with the Note Arranger and the Joint Bookrunners (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 Class A Notes, the Class B Notes, the Class C Notes and the Class D 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**), Moody's Investors Service Limited (**Moody's**) and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. (**S&P** and, together with Fitch and Moody's, the **Rating Agencies**). **A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by one or more of the assigning rating organisations.** The ratings 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 (per cent.)	Fitch	Anticipated Ratings Moody's	S&P
Class A	£440,000,000	0.20	AAA	Aaa	AAA
Class B	£52,000,000	0.35	AA	Aa3	AA+
Class C	£40,000,000	0.50	A	A3	A+
Class D	£68,000,000	0.70	BBB	Baa3	BBB

Interest on the Notes will be payable quarterly in arrear in pounds sterling on 2 February, 2 May, 2 August and 2 November 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 May 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 (**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 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 February 2017 (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
Note Arranger

THE ROYAL BANK OF SCOTLAND
Joint Bookrunner

UBS INVESTMENT BANK
Joint Bookrunner

The date of this Offering Circular is 28 January 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 JOINT BOOKRUNNERS, THE SERVICER, THE SPECIAL SERVICER, THE TRUSTEE, THE CORPORATE SERVICES PROVIDER, THE SHARE TRUSTEE, THE PAYING AGENTS, THE AGENT BANK, THE LIQUIDITY BANK, THE HEDGE COUNTERPARTIES OR THE 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 Joint Bookrunners, the Servicer, the Special Servicer, the Trustee, the Corporate Services Provider, the Share Trustee, the Paying Agents, the Agent Bank, the Liquidity Bank, the Hedge Counterparties or the 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 Property 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 any of the Joint Bookrunners 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 Joint Bookrunners 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 Joint Bookrunners or any of them to subscribe for or purchase any of the Notes.

All references in this document to **sterling**, **pounds** or **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, The Royal Bank of Scotland plc (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 Loan Facility Agent and Loan Arranger) and the Issuer (as Initial Lender) will enter into a secured term loan facility with CSC MetroCentre Limited (the **Borrower**) pursuant to the terms of a credit agreement to be dated on or before the Closing Date (the **Credit Agreement**).

Under the Credit Agreement, the Issuer will make available to the Borrower a secured term loan facility in an aggregate principal amount of £600,000,000.

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

- (a) a £440,000,000 loan to be designated tranche A (the **Tranche A Loan**);
- (b) a £52,000,000 loan to be designated tranche B (the **Tranche B Loan**);
- (c) a £40,000,000 loan to be designated tranche C (the **Tranche C Loan**); and
- (d) a £68,000,000 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 Borrower will grant a first priority mortgage over the Property (being the MetroCentre shopping centre, Gateshead) and certain other security interests (including security over the leases and the rental cashflows together with a floating charge) to Eurohypo (in its capacity as Loan Facility Agent) in order to secure its obligations to the lenders under the Credit Agreement (including the Issuer (as Initial Lender), with effect from the Closing Date). These security interests are, together with the Related Security, referred to as the **Loan Security**. Eurohypo (in its capacity as Loan Facility Agent) will hold the Loan Security on trust for the Issuer, any other lenders under the Credit Agreement (together with the Issuer, the **Lenders**) and the other Loan Secured Creditors.

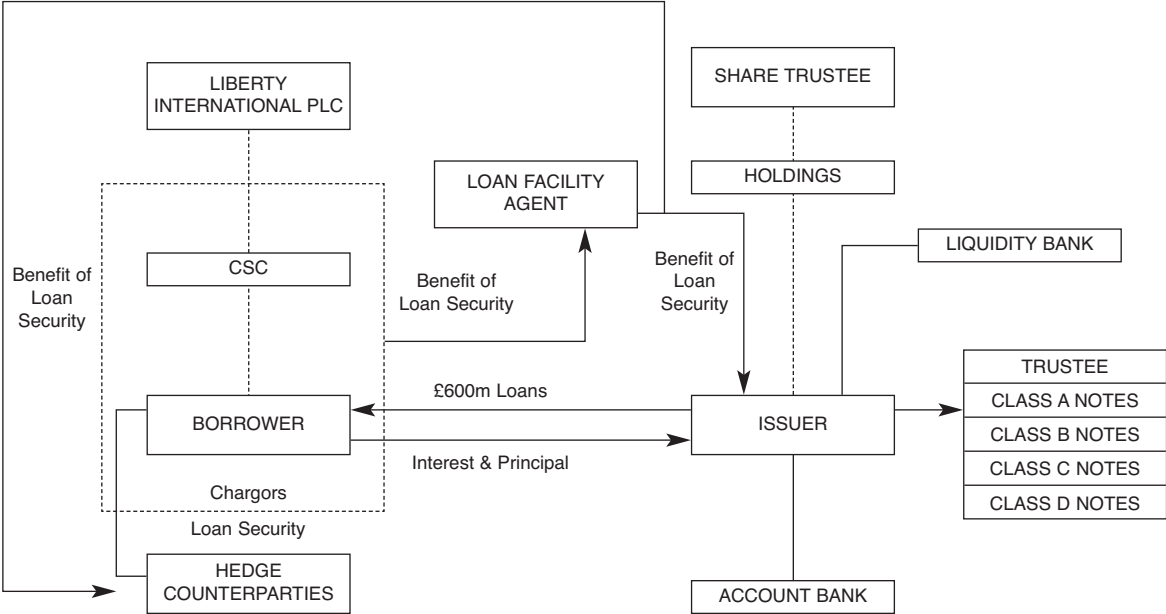
The Borrower is a special purpose company, whose activities will be limited to ownership and management of the Property and related activities, as further described under “*Credit Structure – 3. Credit Agreement – Undertakings*” below.

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 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 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. 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



Key Transaction Parties

Issuer: Opera Finance (MetroCentre) plc (the **Issuer**) is a public company incorporated in England and Wales with limited liability. The Issuer’s company registration number is 05318421. The entire issued share capital of the Issuer is held by or on behalf of Holdings.

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

Holdings: Opera Finance (MetroCentre) Parent Limited (**Holdings**) is a private company incorporated in England and Wales with limited liability. Holdings’ registration number is 05318283. The entire issued share capital of Holdings is held by SFM Corporate Services Limited as Share Trustee. Holdings will be granted a post-enforcement call option under the Post-Enforcement Call Option Agreement (in this capacity, **OptionCo**).

Borrower: CSC MetroCentre Limited (the **Borrower**) is a private company incorporated in England and Wales with limited liability. The Borrower’s company registration number is 4044442.

CSC:	<p>The entire issued share capital of the Borrower is held by Capital Shopping Centres PLC (CSC). CSC is in turn owned as to 82 per cent. by Liberty International PLC (Liberty International) and as to 18 per cent. by Liberty International Financial Services PLC. Liberty International Financial Services plc is ultimately 100 per cent. owned by Liberty International.</p> <p>CSC will grant a first fixed equitable charge over all of the Borrower's share capital in favour of the Loan Facility Agent pursuant to the Mortgage of Shares.</p>
Managing Agent:	<p>CSC MetroCentre Property Management Limited (the Managing Agent) will provide certain property management services to the Borrower.</p>
Eurohypo:	<p>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:</p> <ul style="list-style-type: none"> (a) as facility agent (the Loan Facility Agent) under the Credit Agreement and trustee of the Loan Security for itself, the Lenders 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 Note Arranger).
Trustee:	<p>HSBC Trustee (C.I.) Limited, whose principal office is at 1 Grenville Street, St. Helier, Jersey JE4 9PF (the Trustee), will act under the 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.</p>
Principal Paying Agent and Agent Bank:	<p>HSBC Bank plc, acting through its office at Level 24, 8 Canada Square, London E14 5HQ, will be principal paying agent and agent bank under the Agency Agreement (in these capacities, the Principal Paying Agent and the Agent Bank).</p>
Irish Paying Agent:	<p>HSBC Institutional Trust Services (Ireland) Limited, acting through its office at HSBC House, Harcourt Centre, Harcourt Street, Dublin 2, will act as paying agent in Ireland under the Agency Agreement (the Irish Paying Agent). The Irish Paying Agent, the Principal Paying Agent and any other paying agent(s) which may be appointed pursuant to the Agency Agreement are together referred to as the Paying Agents.</p>

Account Bank:	The Royal Bank of Scotland plc, acting through its office at London Corporate Service Centre, P.O. Box 34552, 3rd Floor, 2½ Devonshire Square, London EC2M 4XJ, will act as account bank for the Issuer under the Bank Agreement (in this capacity, the Account Bank).
Liquidity Bank:	The Royal Bank of Scotland plc, acting through its office at 135 Bishopsgate, London EC2M 3UR, 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 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 20 January 2005 (the Share Trust Deed).
Hedge Counterparties:	Eurohypo, whose principal office is at 4th Floor, 90 Long Acre, London WC2E 9RA (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 Counterparties 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.

Key characteristics of the Loans

General:	The Loans will constitute full recourse obligations of the Borrower and will be secured by, among other things, a first legal mortgage over the Property and first fixed security over the Borrower's interests in any occupational leases, insurance policies, Hedging Arrangements, bank accounts and rental cashflows in respect of the Property, together with a floating charge over all its remaining assets.
Purpose of the Loans:	The proceeds of the Loans will be applied towards: <ul style="list-style-type: none"> (a) refinancing of the Property; (b) repayment of existing borrowings and subsequent expenditure in respect of the Property; and (c) the general corporate purposes of the Borrower.
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: <ul style="list-style-type: none"> (a) in respect of the Tranche A Loan, 0.20 per cent. per annum; (b) in respect of the Tranche B Loan, 0.35 per cent. per annum;

- (c) in respect of the Tranche C Loan, 0.50 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 2 February, 2 May, 2 August and 2 November in each year (each, a **Loan Interest Payment Date**) in respect of successive interest periods (each, a **Loan Interest Period**).

Under the terms of the Credit Agreement, the Borrower will be obliged to ensure that sufficient amounts are standing to the credit of the Debt Service Account no later than two Business Days prior to a Loan Interest Payment Date to enable it to meet its obligations under the Credit Agreement on that Loan Interest Payment Date.

Securitisation fee:

The Borrower will pay to the Issuer a facility fee for providing the Loans (the **Securitisation Fee**) in an amount equal to 0.01 per cent. per annum of the aggregate of interest, Facility Fee and Prepayment Premium (if any) paid by the Borrower to the Issuer in the immediately preceding quarter in respect of the Loans.

Facility fees:

The Borrower will also pay to the Issuer a fee of £390,000 per annum for providing the Loans (the **Standard Fee**).

The Borrower will be required also to pay a separate fee on each Loan Interest Payment Date (the **Additional Fee**) in certain circumstances equal to certain fees, costs and expenses payable by the Issuer on the corresponding Interest Payment Date.

The Servicer will notify the Borrower on each Calculation Date of the amount of the Additional Facility Fee (if any) payable by the Borrower on the next following Loan Interest Payment Date.

The Standard Fee together with any amounts required to be met directly by the Borrower on behalf of the Issuer and the Additional Fee are together referred to as the **Facility Fee**.

The Facility Fee will be payable quarterly in arrear.

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 February 2015 (the **Loan Maturity Date**).

Prior to the Loan Maturity Date, the Borrower will, to the extent of funds available for the purpose, be required, on the Loan Interest Payment Date falling in May 2005 and each Loan Interest Payment Date thereafter, to repay an amount of the Loans equal to the following specified percentages of the aggregate Loans outstanding:

- (a) if the Loan Interest Payment Date falls on or after 2 May 2005 and before 2 May 2006, 0.25 per cent.;

- (b) if the Loan Interest Payment Date falls on or after 2 May 2006 and before 2 May 2007, 0.30 per cent.;
- (c) if the Loan Interest Payment Date falls on or after 2 May 2007 and before 2 May 2008, 0.35 per cent.;
- (d) if the Loan Interest Payment Date falls on or after 2 May 2008 and before 2 May 2009, 0.40 per cent.;
- (e) if the Loan Interest Payment Date falls on or after 2 May 2009 and before 2 May 2010, 0.50 per cent.;
- (f) if the Loan Interest Payment Dates falls on or after 2 May 2010 and before 2 May 2011, 0.55 per cent.;
- (g) if the Loan Interest Payment Date falls on or after 2 May 2011 and before 2 May 2012, 0.60 per cent.;
- (h) if the Loan Interest Payment Date falls on or after 2 May 2012 and before 2 May 2013, 0.65 per cent.;
- (i) if the Loan Interest Payment Date falls on or after 2 May 2013 and before 2 May 2014, 0.70 per cent; and
- (j) if the Loan Interest Payment Date falls on or after 2 May 2014, 0.75 per cent.

Amounts repaid by the Borrower will be applied:

- (a) first in repayment of the Tranche A Loan until the Tranche A Loan is repaid;
- (b) second in repayment of the Tranche B Loan until the Tranche B Loan is repaid;
- (c) third in repayment of the Tranche C Loan until the Tranche C Loan is repaid; and
- (d) fourth in repayment of the Tranche D Loan until the Tranche D Loan is repaid.

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 £5,000,000), upon giving not less than 35 days' prior written notice to the Loan Facility Agent.

Optional prepayment by the Borrower will be subject to the following prepayment fees:

- (a) if prepayment occurs before the first anniversary of the Closing Date, a fee of 1.00 per cent. of the amount of the Loan prepaid;
- (b) if prepayment occurs on or after the first anniversary of the Closing Date but on or before the second anniversary of the Closing Date, a fee of 0.50 per cent. of the amount of the Loan prepaid; and
- (c) if prepayment occurs after the second anniversary of the Closing Date, no prepayment fee will apply.

Prepayment fees will not be payable in circumstances where (i) the Borrower prepays on account of an increase in the Lenders' costs arising out of a change of law or regulation which has been passed onto the Borrower, (ii) the Borrower is obliged to gross up interest payable on any Loan, (iii) it becomes unlawful for a Lender to give effect to any of its obligations under the Credit Agreement and a Lender requests repayment or (iv) there has been a failure of the Loan Facility Agent and the majority Lenders to consent to a change in shareholding of the Borrower as provided for in the Credit Agreement.

Representations and warranties:

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

- (a) due incorporation and authorisation;
- (b) no default under the Credit Agreement (a **Loan Event of Default**) is outstanding or will likely result from the making of the Loans;
- (c) legality, validity and enforceability of, among other things, the Credit Agreement and the Borrower Security Agreement;
- (d) ownership and title to the Property, in each case free from any security interests (other than those set out in the Borrower Security Agreement);
- (e) first priority of the Loan Security;
- (f) the absence of material litigation, arbitration or administrative proceedings;
- (g) the truthfulness, accuracy and completeness of all information supplied by the Borrower to the Loan Arranger, the Initial Lender and the Loan Facility Agent, among others, in connection with the Credit Agreement and related finance documents (the **Finance Documents**) and all information supplied by the Borrower to the Valuer for the purposes of the Valuation; and
- (h) recent historical activities.

Loan Security:

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

The Loans and all other obligations to the Loan Secured Creditors will be secured by a first legal mortgage over the Property and certain other security interests, including fixed security over the Borrower's interests in any occupational leases, insurance policies, Hedging Arrangements, bank accounts and rental cashflows in respect of the Property, together with a floating charge over all of its assets.

The security and covenant package for the Loans will also include the benefit of:

- (a) a subordination deed dated on or before the Closing Date (the **Subordination Deed**) under which all debt of the Borrower to Liberty International, CSC and various subsidiaries of Liberty International (together, the **Subordinated Creditors**) will be subordinated to the Issuer and the other Lenders (if any);
- (b) a duty of care agreement entered into by CSC MetroCentre Property Management Limited (the **Managing Agent**) with the Loan Facility Agent in relation to the management (including the collection of rental income) of the Property (the **Duty of Care Agreement**); and
- (c) a mortgage of shares dated on or before the Closing Date (the **Mortgage of Shares**) from CSC granting a first fixed equitable charge over all of the Borrower's share capital in favour of the Loan Facility Agent.

The Subordination Deed, the Duty of Care 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.

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 or any other Lender who accedes to the Credit Agreement after the Closing Date increase its term commitment in a minimum amount of £5,000,000 and integral multiples thereafter of £1,000,000 by written request to the Loan Facility Agent. If the relevant Lender 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 or any other Lender 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) or by another Lender.

The claims of that other Lender may rank *pari passu* with the claims of the Issuer. The ranking of any additional lending undertaken by the Issuer and funded by the issue of Further

Notes and/or New Notes will be decided at the time of issue of such Further Notes and New Notes.

No such additional lending under the Loan Facility will be permitted unless all the Lenders consent to such additional lending and the Rating Agencies confirm that the then current ratings of each class of Notes will not be adversely affected.

Insurance:

The Borrower will undertake, pursuant to the Credit Agreement, to maintain insurance on the Property on a full reinstatement value basis (except that such insurance will not be required to cover any subsidence which occurs in relation to the Blue and Yellow Quadrants at the Property) together with a further amount equal to not less than 12.5 per cent. of the full reinstatement cost (on terms acceptable to the Loan Facility Agent) and not less than five years' loss of rent on all occupational leases together with third party liability insurance and insurance against acts of terrorism (to the extent available in the UK or European insurance markets). The Borrower will also undertake to procure that the Loan Facility Agent is named as co-insured on all relevant insurance policies.

The Borrower will also undertake to effect, within 3 months of the Closing Date, subsidence insurance in respect of the Yellow and Blue Quadrants at the Property (to the extent available in the UK or European insurance markets on commercially reasonable terms). See "*Credit Structure 3. Credit Agreement*".

All insurances required under the Credit Agreement must be 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 "A" (or better) by Fitch, "A" (or better) by S&P and satisfactory to Moody's; or
- (b) is recommended by the Borrower's insurance broker in a letter to the Loan Facility Agent and the Borrower to be delivered at least annually; or
- (c) is otherwise acceptable to the Loan Facility Agent (acting reasonably).

Property management:

The Managing Agent will undertake (pursuant to the Duty of Care Agreement) to collect the rental income from the Property and hold such income in a separate account on trust for the Borrower until transferred to the Borrower's possession.

Key characteristics of the Property

Property:

The property upon which the Loans will be secured comprises the land and buildings of the MetroCentre shopping centre, Gateshead, North East England (the

Property). The Property is the largest retail shopping centre in the United Kingdom. Completed in 1986, it now provides approximately 169,084m² (1.82 million ft²) gross area of fully enclosed accommodation arranged over two principal levels, the Lower and Upper Malls.

The freehold of the Property is vested in the Church Commissioners. The MetroCentre was originally developed by Cameron Hall Developments with financing from the Church Commissioners, who bought out the developer's interest in October 1987. Capital Shopping Centres purchased a 90 per cent. interest in the Property in October 1995 through the creation of six leases (the **Headleases**). Subject to various options and rights to extend, the leases ultimately expire in September 2195. The Church Commissioners as the ultimate landlord are entitled to receive 10 per cent. of net rents received in respect of the Property on an annual basis.

The MetroCentre is located approximately three miles west of Gateshead town centre (urban population 78,400) and three miles south west of Newcastle-Upon-Tyne (urban population 189,860), within the Tyneside Conurbation of north east England. Newcastle comprises the principal focus of economic activity in the region. Sunderland is 12 miles to the south east via the A184, Middlesbrough is 40 miles also to the south east via the A19 and Durham is 16 miles south via the A1.

The Property is situated immediately north of the A1 in a mixed use area. The bus and railway stations which serve the MetroCentre are situated to the north of the main complex and further north, between the Newcastle to Carlisle railway line and the River Tyne, is the Metro Riverside Park consisting of commercial, office, industrial and warehouse uses. The main MetroCentre complex which is bounded by an orbital distributor road occupies a site of approximately 45 hectares (111 acres) and lies on the south bank of the River Tyne.

The MetroCentre is a well established centre with a long record of successful trading. The main anchors are Marks & Spencer, House of Fraser and Debenhams, which have an average unexpired term of approximately 32.7 years. Analysis of individual tenants indicates that some 86 per cent. of space is let to national multiple retailers. No single retail group accounts for more than 5 per cent. of total passing rent, exclusive of turnover rent. The ten largest tenants account for approximately 25.4 per cent. of passing rent. The largest tenant, the Arcadia Group trading as Top Shop, Burtons, Evans and Dorothy Perkins, accounts for 4.0 per cent. of passing rent. The top 50 tenants generate approximately 68.6 per cent. of passing rent, and the top 100 tenants generate approximately 86.8 per cent. of passing rent.

As per the valuation carried out by CB Richard Ellis Limited (the **Valuer**) on 6 December 2004 (the **Valuation**), gross rent (inclusive of reversionary income from outstanding rent reviews) in respect of the MetroCentre was £42,668,277 per annum. In addition, a further £8,486,750 of income is presently subject to rent free periods, of which £7,636,750 becomes payable in 2005. Rental income is further supplemented by turnover income, which equates to a further £890,035 per annum as currently budgeted.

The estimated rental value of the MetroCentre as at 6 December 2004 was £57,566,866 per annum, including estimated rental values on all units that currently have a turnover rent.

The MetroCentre is managed by a CSC affiliate, CSC MetroCentre Property Management Limited.

Valuation:

The Valuer has determined the market value of the leasehold interest in the Property, subject to the existing tenancies, to be, as at 6 December 2004 (the **Valuation Date**) £864,000,000. Since the Valuation Date, there has been no diminution in the value of the Property as at the date of this Offering Circular. On the basis of the Valuation, 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 69.4 per cent.

Under the terms of the Credit Agreement, the Loan Facility Agent will have the right to call for a valuation of the Property at any time at the cost of the Lenders or, if a Loan Event of Default is outstanding or likely to result from such valuation, at the cost of the Borrower.

See "*Valuation Report*" below.

Principal features of the Notes

Notes:

The Notes will comprise:

- (a) £440,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2017;
- (b) £52,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2017;
- (c) £40,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2017; and
- (d) £68,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2017.

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

Status and priority:

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 the 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 the Class D Notes. Repayment 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 depository 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	Moody’s	S&P
Class A Notes	AAA	Aaa	AAA
Class B Notes	AA	Aa3	AA+
Class C Notes	A	A3	A+
Class D Notes	BBB	Baa3	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.

Final redemption:

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

Scheduled redemption in part:

Prior to the Final Maturity Date and to the service of an Acceleration Notice in accordance with **Condition 10**, to the extent of funds available for that purpose, the Class A Notes only will be subject to scheduled redemption in part on each Interest Payment Date in accordance with **Condition 6.1 (a)**

subject to the Priorities of Payments. See further “*Terms and Conditions of the Notes*” below.

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.

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 the Relevant Percentage of 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.

Relevant Percentage means 101 per cent. in respect of any redemption before the first anniversary of the Closing Date; and thereafter 100.5 per cent. in respect of any redemption on or after the first anniversary of the Closing Date but on or before the second anniversary of the Closing Date; and thereafter 100 per cent.

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.

However, the Issuer will redeem the Notes at their Principal Amount Outstanding in sequential order in accordance with **Condition 6.1(a)** and with no early redemption premium payable if:

- (a) the Borrower prepays the Loan in circumstances where no prepayment fees are payable (such as on account of an increase in the Lenders’ costs arising out of a change of law or regulation which have been passed onto the Borrower, where the Borrower is obliged to gross up interest payable on the Loans, where it becomes unlawful for a Lender to give effect to any of

its obligations under the Credit Agreement and a Lender requests repayment or where there has been a failure of the Loan Facility Agent and the majority Lenders to consent to a change in shareholding of the Borrower as provided for in the Credit Agreement);

- (b) the Loan is transferred pursuant to the Credit Agreement;
- (c) if the Borrower repays the Loans on the Loan Maturity Date; or
- (d) the Issuer receives any proceeds of enforcement after enforcement of the Loan Security.

Post-Enforcement Call Option:

The Issuer will enter into a post-enforcement call option agreement with Holdings (as **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 A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders will be required to transfer to OptionCo all of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes. The Class A Noteholders, 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 A Noteholders, 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, but with a lower interest rate (or, if fixed rate Notes are to be issued in replacement for floating rate Notes or *vice versa*, a swap rate which (taking into account the

relevant margin) is lower than the existing class of Notes being replaced) (**Replacement Notes**).

Pursuant to the Pre-Enforcement Priority of Payments and the Post-Enforcement Pre-Acceleration Priority of Payments (as applicable), interest on junior classes of Notes will be payable prior to any scheduled, 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 then current ratings of each class of Notes already in issue will not be adversely affected. 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 (per cent.)
Class A Notes	0.20
Class B Notes	0.35
Class C Notes	0.50
Class D Notes	0.70

Interest payments:

Interest will be payable on the Notes quarterly in arrear on 2 February, 2 May, 2 August and 2 November in each year, unless the same is not a Business Day, in which case the following 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 and Dublin.

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, Holdings, 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 Receipholders, 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 Account Bank (together, the **Issuer Secured Creditors**).

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.

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.

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 Joint Bookrunners, 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 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 Property*” 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 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 Property 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, Moody’s 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, Moody’s 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, Moody's 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 adversely affected by such event, matter or thing.

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

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 £40 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 acceleration of the Notes payments of principal and interest in respect of the Class B Notes, Class C Notes and the 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 of principal and interest in respect of the Class C Notes and the 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 Class D Notes, then the Issuer will be entitled (under **Condition 5.8**) to defer payment of that amount 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 C Notes and the Class D Notes. If there are no Class B Notes outstanding the Issuer will be entitled to defer interest on the Class D Notes only.

In addition, if on any Interest Payment Date Scheduled Amortisation Amounts are due, the Issuer has insufficient funds to make payment in full of the Scheduled Amortisation Amounts, the Issuer will be entitled under **Condition 6.1 (c)** to defer payment of that amount until the next following Interest Payment Date on which it has sufficient funds to pay such Scheduled Amortisation Amounts. In these circumstances there will be no Note Event of Default.

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 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 (o)** of “*Credit Structure – 8. Cashflows – Payments Paid out of the Issuer Transaction Account Post-Enforcement of the Issuer Security but Pre-Acceleration of the Notes*” and “*8. Cashflows – Payments Paid out of the Issuer Transaction Account Post-Acceleration of the Notes*” below) will be made in priority to payments in respect of interest and principal on the Class A Notes. Upon acceleration of the Notes, 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 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 (except before the second anniversary of the Closing Date). If the Borrower prepays any Loan in whole or in part, the Issuer will effect a redemption of the Notes (under **Condition 6.3(a)**) in a corresponding principal amount to that Loan Tranche 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 A Notes, 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 A Notes, 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 A Notes, the Class B Notes, the C Notes and the Class D Notes and *pro rata* payment of all claims ranking in equal priority to the Class A Notes, 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 A Noteholders, 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 Holdings pursuant to the Post-Enforcement Call Option Agreement, the Trust Deed and **Condition 6.8** and the Trustee will be irrevocably authorised to enter into the Post-Enforcement Call Option Agreement with the Issuer and Holdings on behalf of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders on the Closing Date.

(A) Considerations relating to the Loans and the Property

Concentration of risk generally

The entire amount of the Note issue proceeds will be on-lent to the Borrower. The Borrower's only material asset is the Property itself and it will therefore have access to no funds other than those generated through its ownership of the Property and its letting of the Property to occupational tenants and any amounts that may be payable under the Hedging Arrangements. 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 and decreases in rental and valuation levels.

Forfeiture of leases

Legal title to the Property is split into three separate areas. In respect of each of these areas, the chain of title includes various headlease, overriding lease and finance lease interests. Certain of these leasehold interests are terminable on the insolvency of the relevant tenant. The Borrower will be required under the Credit Agreement, broadly, to take all steps to mitigate any adverse effect of an intervening insolvency, including applying to the court for relief from forfeiture where the relevant intermediate landlord would otherwise be able to terminate the relevant lease.

Although relief from forfeiture is a remedy available at the discretion of the court, the Issuer has received legal advice that, in an action for relief from forfeiture, relief could be expected to be granted. This would result in a new leasehold interest being vested in the Borrower, thereby protecting its interest in the Property. However, no assurance can be given that relief from forfeiture would be granted and, if it were not, this would have an adverse affect on the ability of the Borrower to meet its obligations under the Credit Agreement. This would, in turn, adversely affect the ability of the Issuer to meet its obligations under the Notes.

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 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 Property 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 Property*" below.

During the term of the Loans, some of the existing occupational leases which are in place as at the Closing Date 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 respective parts of the Property, 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 Property.

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. Continued 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 Property.

Rental levels, the quality of the building, the amenities and facilities offered, the convenience and location of the Property, 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 the Property depends for its consumer base will not adversely affect the demand for units in the Property.

Active management of the Property

The 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 the size of their premises or to move premises within the Property. In addition, occupational tenants may decide that they wish to take more or less space or space in a different part of the 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.

Privity of contract

The Landlord and Tenant (Covenants) Act 1995 (the **Covenants Act**) provides that, in relation to leases of property in England and Wales granted after 1 January 1996 (other than leases granted after that date pursuant to agreements for lease entered into before that date), if an original tenant under such a lease assigns that lease (having obtained all necessary consents (including consent of the landlord if required by the lease)), that original tenant's liability to the landlord, under the terms of the lease, ceases. The Covenants Act provides that arrangements can be entered into by which on assignment of a lease of commercial property, the original tenant can be required to enter into an "authorised guarantee" of the assignee's obligations to the landlord. Such an authorised guarantee relates only to the obligations under the lease of the original assignee of the outgoing tenant providing that guarantee and not any subsequent assignees of that original assignee. The same principles apply to an original assignee if it assigns the lease.

To the extent any occupational leases in respect of the Property as at the Closing Date were entered into before 1 January 1996 or pursuant to agreements for lease in existence before 1 January 1996, because the Covenants Act has no retrospective effect, the original tenant under an occupational lease of part of the Property will remain liable under these leases notwithstanding any subsequent assignments, subject to any express releases of the tenant's covenant on assignment. In such circumstances the first and every subsequent assignee would normally covenant with his predecessor to pay the rent and observe the covenants in the lease and would give an appropriate indemnity in respect of those liabilities to his predecessor in title, and thus create a "chain of indemnity".

The majority of occupational leases entered into on or after 1 January 1996 in respect of the Property contain provisions giving the Borrower qualified control over any assignment, and most leases also set out specific criteria which any assignee must meet prior to being able to take over the lease. The majority also give the Borrower a pre-emption right over the unit before the tenant may assign.

There can, however, be no assurance that any assignee of a lease of premises within the Property will be of a similar credit quality to the original tenant, or that any subsequent assignees (who in the context of a new tenancy will not be covered by the original tenant's authorised guarantee) will be of a similar credit quality.

Except as disclosed in the Certificate of Title, each existing occupational lease (other than short term at will or licence arrangements) prohibits the relevant tenant from assigning without the landlord's previous consent, which is not to be unreasonably withheld. However, whilst it will be reasonable to refuse consent to assign where the new tenant clearly cannot afford to pay the rent or perform the covenants, there can be no assurance that any assignee of an occupational lease (or any part thereof), nor any subsequent assignees covered by an authorised guarantee, will be of a similar credit quality to the existing tenants. Moreover, although the interpretation of the Covenants Act on this point is unclear, it is arguable that the guarantor of a tenant under a new

tenancy cannot be required, at the time when it enters into that guarantee, to guarantee or to commit to guarantee the obligations of that tenant under an authorised guarantee when that tenant itself assigns. Therefore, there can be no assurance, in the absence of clarifying court decisions, that any guarantor of an existing tenant can be required to guarantee an authorised guarantee given by the existing tenant on assignment. In addition, not all existing occupational leases require assigning tenants to enter into authorised guarantee agreements.

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 Property's competitors are the retail outlets in central Newcastle Upon Tyne, Middlesbrough and Sunderland.

The principal factors affecting the Property's ability to attract and retain tenants include the quality of the building, 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. In addition, the Property may in the future be affected by internet shopping, although it is expected that the range of leisure and food related activities offered by the Property will ensure that customer numbers at the 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 Property

The Borrower will have certain discretions as to matters including the design and configuration of the Property and developments within and outside the Property. 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 Property.

Statutory rights of tenants

In certain circumstances, occupational tenants of the Property may have legal rights to require the landlord of that property (i.e. the Borrower) to grant them tenancies, for example pursuant to the Landlord and Tenant Act 1954 or the Covenants Act. Should such a right arise, the landlord may not have its normal freedom to negotiate the terms of the new tenancy with the tenant, such terms being imposed by the court or being the same as those under the previous tenancy of the relevant premises. Accordingly, while it is the general practice of the courts in renewals under the Landlord and Tenant Act 1954 to grant a new tenancy on similar terms to the expiring tenancy, the basic annual rent will be adjusted in line with the then market rent at the relevant time but there can be no guarantee as to the terms on which any such new tenancy will be granted.

Turnover rents

66 of the 336 current occupational leases and licences in respect of the Property 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 are likely to 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 Property – Leases*”.

Turnover rents contributed approximately 1.5 per cent. of total rental receipts in 2004. (Figures for 2004 are subject to audit).

Keep open covenants

A number of the occupational leases in respect of the Property have covenants on the part of the tenant to keep the Property open and trading during specific hours. Generally, the purpose of such covenants is to ensure that anchor stores in shopping centres and high streets are open and trading, as their closure could affect the footfall of surrounding shops/units, the landlord’s ability to let surrounding shops/ units and what the landlord can achieve by way of rents on rent review and lease renewal of such shops/units. Current case law would indicate that such covenants cannot be specifically enforced by a landlord, although a landlord can seek and receive damages for breach of the covenant. The occupational leases in respect of the Property generally reserve liquidated damages for any such breach.

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 re-entry to the relevant premises. In addition, under the Insolvency Act 2000, while an administration order is in force in relation to an occupational tenant which is a company (and upon the presentation of a petition for the making of an administration order), the statutory moratorium has been extended such that a landlord requires the consent of the tenant’s administrator or (and when a petition has been presented, only with) leave of the court before it is able to enforce rights against that company as tenant to forfeit the tenant’s lease by peaceable re-entry onto the premises.

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 re-enter to the landlord on the grounds that to do so would frustrate the purpose of the administration and, furthermore, that the court would do so notwithstanding that the administrator was only paying a reduced or even no rent under the terms of the relevant lease. This change in legislative approach could impact on the management of the Property and could result in an increase in the number of units in the 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 new provisions.

Leasing parameters

Some of the occupational leases in respect of the Property are short-term, fully inclusive leases, under which the occupational tenants are required to pay 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, these fully inclusive leases do not form a large proportion of the aggregate gross rents of the Property 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 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 Property to the extent that the Borrower itself does not itself 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 Property at the start of any occupational lease, the cost of any rebuilding (as opposed to repair) work at the Property and the costs associated with any major improvements or refurbishments of the Property. Also, the extent that there is any empty space in the Property, the Borrower will generally experience a shortfall depending on the portion that is empty.

Late payment or non-payment of rent

There is a risk that rental payments due under the occupational leases 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 Credit Agreement 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.

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 Property) 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 Property in circumstances which may not be advantageous in order to repay the Loans. If the Property 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 Property (via administrative receivership) would be more likely to result in sufficient funds being obtained to enable repayment of the Loans. Were trading out of the Property to continue and/or the Property 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.

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 Joint Bookrunners but may be relied on by each of them only as more fully set out therein.

The Valuer has valued the Property, as at 6 December 2004 (brought down to the date of this Offering Circular), at £864,000,000. However, there can be no assurance that the market value of the Property will continue to be equal to or exceed such valuation. As the market value of the Property 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 Property is sold following a Loan 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 Property, being a large retail centre with leisure facilities, is a specialised property asset for which, in such circumstances, no ready market may exist.

Security over Borrower Accounts

Although Eurohypo (as the Loan Facility Agent) will have signing rights in respect of the Borrower's Accounts, the Borrower and the Managing Agent will also have signing rights in respect of certain of these accounts prior to a Loan Event of Default. The Credit Agreement will contain provisions requiring the funds in the Borrower's Accounts to be used for specified purposes (see further "*Credit Structure – 5. Borrower Accounts*" below). However, because of the fact that the Borrower and the Managing Agent have these signing rights, it is likely that a court would determine that the security interests granted in respect of the Borrower's Accounts take effect as floating security interests notwithstanding that the security interests in favour of the Loan Facility Agent over the Borrower's Accounts are expressed to be a fixed charge. Accordingly, rent paid into the Rent and General Account and funds in the other Borrower's Accounts 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 Loan Facility Agent is to have signing rights over the Debt Service Account (and therefore control over the account) and there will be no provisions in the Credit Agreement permitting the Loan Facility Agent to relinquish such control or indeed for the Borrower to assume signing rights and control over the Debt Service Account.

Assignment of rents

The Borrower Security Agreement will contain a provision whereby the rent receivable in respect of occupational leases is assigned by way of security to the Loan Facility Agent. Typically, and so long as no receiver has been appointed and/or the mortgagee is not in possession, no notice of the assignment is normally given to the occupational tenants. Accordingly, these assignments will take effect as equitable assignments only. As such, these assignments will be subject to any equities or claims, such as rights of set-off between the landlord and the relevant occupational tenant. The Borrower will covenant in the Credit Agreement not to dispose of assets (such as the rents) to any other party, although if it did assign the rents in breach of that provision and subsequently gave notice of the assignment to the relevant occupational tenant(s) then the relevant assignee's claims would have priority over the rents in question. However, this would constitute a Loan Event of Default entitling the Lenders to accelerate the Loans and enforce the Loan Security.

Insurance

The Credit Agreement will provide that the Loan Facility Agent is to be named as the co-insured under the insurance policies to be maintained by the Borrower in respect of the Property (the **Insurance Policies**).

If a claim under an Insurance Policy is made, but the relevant insurer under that policy 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 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 "A" (or better) by Fitch, "A" (or better) by S&P and satisfactory to Moody's or is recommended by the Borrower's insurance broker in a letter to the Loan Facility Agent and the Borrower to be delivered at least annually or is otherwise acceptable to the Loan Facility Agent (acting reasonably).

Under the terms of the Credit Agreement, the Borrower must apply all moneys received under any Insurance Policy (other than loss of rent or third party liability insurance) towards replacing, restoring or reinstating the Property. In addition, except where restricted by the terms of the relevant insurance policy or occupational lease, the proceeds of any Insurance Policy (other than

loss of rent or third party liability insurance) may be used, at the option of the Loan Facility Agent, to repay the Loans.

Subsidence insurance has not been effected in relation to the Yellow and Blue Quadrants at the Property. This is because there has been a history of settlement at the Property. Remedial work was carried out on the Blue Quadrant between February 1998 and October 1999 at a cost of £9 million (as against the value of the Property as at the Valuation Date, which was of £864 million). Following the remedial works, the Borrower has maintained a programme of inspection in respect of the Blue Quadrant at the Property which the Borrower intends to continue until expiry of the warranty period under the remedial works contract in October 2011. After this date the value of continuing to monitor the Blue and Yellow Quadrants at the Property will be decided between the Borrower and the Loan Facility Agent. The effectiveness of the works undertaken in relation to the Blue Quadrant have been and continue to be monitored and the works are considered to have been successful.

Ongoing monitoring has not indicated a need for remedial works to be undertaken in relation to the Yellow Quadrant at the Property as settlement of the Yellow Quadrant remains within normal parameters.

The Borrower will covenant in the Credit Agreement that, within 3 months of the Closing Date, it will effect or procure there is effected insurance in respect of both the Yellow and the Blue Quadrants at the Property relating to subsidence to the extent such insurance is available on commercially reasonable terms in the U.K. or European insurance markets.

Uninsured losses

The Credit Agreement will also contain provisions requiring the Borrower to carry or procure the carrying of insurance with respect to the Property 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.

Hedging risks

Each Loan bears interest at a floating rate. The income of the Borrower (comprising, primarily, rental income in respect of the Property) 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 rates 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.

Planning matters

The Borrower has confirmed for the purposes of the Certificate of Title that the Property has 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 Property, although the Certificate of Title details some minor discrepancies concerning construction of storage units which ideally should be resolved with the planning authority. In this regard, it should be noted that where occupational tenants are in breach of planning obligations or conditions, they would 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 Highways Authority including the stopping up of access to the Property.

There will be a number of ongoing planning obligations or restrictions relating to certain elements of the Property. Outstanding sums due under planning obligations represent a charge on the land which may rank in priority to a first legal mortgage.

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 Property, neither the Issuer nor the Loan 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 Property or could be said to be in control of the Property. After enforcement, the Loan Facility Agent, if deemed to be a mortgagee in possession, or a receiver appointed on behalf of the Loan Facility Agent, could become responsible for environmental liabilities in respect of the Property. The Loan 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 relevant Lenders (including the Issuer).

If an environmental liability arises in relation to the 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.

It should be noted that Waterman Environmental has reviewed previous site investigations and recommendations in respect of the Property and report that most of the recommendations have been implemented.

Compulsory purchase

Any property in England and Wales (such as the Property) 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 Certificate of Title issued in relation to the Property.

However, if a compulsory purchase order is made in respect of the Property (or part of the Property), compensation would be payable on the basis of the open market value of all of the Borrower'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 Borrower under the relevant occupational lease (or rental payments would be reduced to reflect the compulsory purchase of a part of the Property if applicable). Such a purchase might also constitute a Loan Event of Default and lead to an acceleration of the Loans.

The risk to Noteholders is that the amount received from the proceeds of purchase of the freehold or leasehold estate of the Property may be less than the original value ascribed to such Property.

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

Frustration

In exceptional circumstances, a tenancy could be frustrated under English law, with the result that the parties need not perform any obligation arising under the relevant agreement after the frustration has taken place. Frustration may occur where superseding events radically alter the continuance of the arrangement under the agreement for a party to the agreement, so that it would be inequitable for such an agreement or agreements to continue. If a tenancy granted in respect of the Property were to be frustrated then this could operate to have an adverse effect on the income derived from, or able to be generated by, the 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.

Mortgagee in possession liability

The Issuer or the Loan Facility Agent may be deemed to be a mortgagee in possession if there is physical possession of the Property 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 Loan Facility Agent or the Issuer (as the case may be). In a case where it is necessary to initiate enforcement procedures against the Borrower, the Loan Facility Agent is likely to appoint a receiver to collect the rental income on behalf of itself or the Issuer (as the case may be) which should have the effect of reducing the risk that the Loan Facility Agent or the Issuer is deemed to be a mortgagee in possession.

A mortgagee 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 mortgagee in possession may also incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), can incur the liabilities of a property owner.

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 Property. 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 Property 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 Property. 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 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.

Receivership of the Borrower

Pursuant to the Servicing Agreement, the Servicer and the Special Servicer will be required, in accordance with the Servicing Standard, to maximise the recovery of amounts due from the Borrower and to comply with their respective procedures for enforcement of Loans and Loan Security current from time to time (as to which, see further “*Servicing*” below). The principal remedies available following a Loan Event of Default will be the appointment of a receiver or administrative receiver over the Property and/or other assets of the Borrower and/or entering into possession of the Property. Any such receiver would usually require an indemnity to meet his costs and expenses (which would rank ahead of payments on the Notes) as a condition of his appointment.

Any such receiver is deemed by law to be the agent of the person or company providing security until the appointment of a trustee in bankruptcy or liquidator and, for so long as the receiver acts within his powers, he will only incur liability on behalf of the person or company providing the security. However, if the Loan Facility Agent, the Servicer or the Special Servicer unduly directs, interferes with or influences the receiver’s actions, the Loan Facility Agent, the Servicer or the Special Servicer may be held to be responsible for the receiver’s acts.

Administration of the Borrower

Alternatively, following a Loan Event of Default, the Servicer or the Special Servicer could direct the Loan Facility Agent to appoint an administrator of the Borrower under the Insolvency Act 1986 (as amended by the provisions of the Enterprise Act 2002).

An administrator is required to have regard to the interests of all creditors, both secured and unsecured. The purpose of any administration would be to rescue the company or, where such is not reasonably practicable, to achieve a better result for the company’s creditors as a whole than would be likely if the company were wound up or, where neither of the above purposes are reasonably practicable, to realise the company’s assets to make a distribution to the secured and/or preferential creditors. These purposes could conflict with the wishes or interests of the Noteholders.

The Loan Facility Agent, as holder of a floating charge over the whole or substantially the whole of the Borrower's property will be able to appoint the administrator of its choice, and is entitled to notice of, and to make representations to the court with regard to, any application for the appointment of an administrator by any other person. The appointment can be made without going to court unless a winding up order has previously been made or a provisional liquidator appointed.

However, as stated below under "*C. General considerations – Enterprise Act 2002*", the Issuer believes that the Loan Facility Agent would be able to appoint an administrative receiver in respect of the Borrower (thus blocking the appointment of an administrator to the Borrower) and expects that enforcement of the Loan Security would occur by means of administrative receivership (as described above), rather than administration, of the Borrower.

(B) 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, the Certificate of Title, the building condition and environmental report on the Property prepared by Waterman and Partners 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 charge granted by the Issuer pursuant to the Deed of Charge and the Borrower pursuant to the Borrower Security Agreement) which form part of a capital market arrangement (as defined in the Insolvency Act) and which involves both indebtedness of at least £50,000,000 (or, when the relevant security document (being in respect of the transactions described in this Offering Circular, the Deed of Charge and the Borrower Security Agreement) 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 the Borrower 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 or the company or appoint an alternative administrator, although a moratorium on enforcement of the relevant security will take effect immediately after notice is given. If the qualifying floating 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. Where the holder of a qualifying floating charge within the context of a capital market transaction retains the

power to appoint an administrative receiver, such holder may prevent the appointment of an administrator (either by the new out-of-court route or by the court based procedure) by appointing an administrative receiver prior to the appointment of the administrator being completed.

The new provisions of the Insolvency Act give primary emphasis to the rescue of a company as a going concern and achieving a better result for the creditors as a whole. The purpose of realising property to make a distribution to secured creditors is secondary. No assurance can be given that the primary purposes of the new provisions will not conflict with the interests of Noteholders were the Issuer and/or the 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 the expenses of the liquidation or administration. The "prescribed part" is defined in the Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/2097) to be an amount equal to 50% of the first £10,000 of floating charge realisations plus 20% 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 or the Borrower 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

and the Borrower should fall within the exceptions, there is no guidance as to how the legislation will be interpreted and the Secretary of State for Trade and Industry may by regulation modify the exceptions. No assurance can be given that any modification of the eligibility requirements for these exceptions will not be detrimental to the interests of Noteholders.

If the Issuer and/or the Borrower 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). The Borrower may also choose to comply with IFRS. There is a concern that companies such as the Issuer or the Borrower, 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. However, draft legislation has been published to be included in the Finance Act 2005 which, if enacted, would allow “securitisation companies” to prepare tax computations for accounting periods ending not later than 31 March 2006 on the basis of UK GAAP as applicable up to 31 December 2004, notwithstanding any requirement to prepare statutory accounts under IFRS or new UK GAAP. The Issuer (but not the Borrower) is likely to be a “securitisation company” for these purposes on the basis of the current draft legislation.

The draft legislation remains subject to change and withdrawal until enacted and as currently drafted does not apply to accounting periods ending after 31 March 2006. 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 and that they are working with participants in the securitisation industry to identify appropriate means of preventing any such disruption. However, if the draft legislation is changed (or continues not to apply to the Borrower) or if further extensions or measures are not introduced by the Inland Revenue to deal with accounting periods ending after 31 March 2006, then profits or losses could arise in the Issuer or the Borrower 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, or the Borrower’s ability to make repayments under the Loan, and consequently may affect 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 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 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 (MetroCentre) plc, was incorporated in England and Wales on 21 December 2004 (registered number 05318421), as a public company with limited liability under the Companies Act 1985. The registered office of the Issuer is at Blackwell House, Guildhall Yard, London EC2V 5AE. 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	Blackwell House, Guildhall Yard, London EC2V 5AE	Directors of special purpose companies
SFM Directors (No.2) Limited	Blackwell House, Guildhall Yard, London EC2V 5AE	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 Blackwell House, Guildhall Yard, London EC2V 5AE. 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 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 and Petra Lohmeier), whose business addresses are Blackwell House, Guildhall Yard, London EC2V 5AE 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 Fully Paid Up	Shares Quarter Paid Up	Paid Up Share Capital
50,000	50,000	1	0	50,000	12,500.00

49,999 of the issued shares (being 49,999 shares of £1 each, each of which is paid up as to 25p) in the Issuer are held by Holdings. The remaining one share in the Issuer, which is paid up as to 25p, is held by SFM Nominees Limited (registered number 04115230) under the terms of a trust as nominee for Holdings.

Loan Capital

Class A Commercial Mortgage Backed Floating Rate Notes due 2017	£440,000,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2017	£52,000,000
Class C Commercial Mortgage Backed Floating Rate Notes due 2017	£40,000,000
Class D Commercial Mortgage Backed Floating Rate Notes due 2017	£68,000,000
Total Loan Capital	£600,000,000

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 Audit Plc (**KPMG**) who have been appointed as auditors and reporting accountants to the Issuer. KPMG is a chartered accountancy practice and the registered auditor of 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 Audit Plc

Opera Finance (MetroCentre) plc
Blackwell House
Guildhall Yard
London EC2V 5AE

28 January 2005

Dear Sirs

Opera Finance (MetroCentre) plc (the *Company*): £440,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2017, £52,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2017, £40,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2017 and £68,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2017 (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 28 January 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 28 January 2005 prepared on the basis described in note 2.1.

Responsibility

Such financial statements are the responsibility 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 of the United Kingdom. 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 28 January 2005.

Yours faithfully

KPMG Audit Plc"

1. Balance Sheet as at 28 January 2005

	£
<i>Current assets</i>	
Cash at bank and in hand	12,500.00
<i>Capital and reserves</i>	
Called up equity share capital 50,000 shares 25 per cent. paid	12,500.00

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 21 December 2004. 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 21 December 2004, with the name of Opera Finance (MetroCentre) plc.

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

On 7 January 2005, one ordinary share was issued by the Company to SFM Nominees Limited and one quarter paid-up for a total cash consideration of £0.25.

On 7 January 2005, one ordinary was issued by the Company to Opera Finance (MetroCentre) Parent Limited and one quarter paid-up for a total cash consideration of £0.25.

On 7 January 2005, 49,998 ordinary shares were issued by the Company to Opera Finance (MetroCentre) Parent 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 7 January 2005.

THE BORROWER

The Borrower, CSC MetroCentre Limited, was incorporated in England and Wales on 1 August 2000 (registered number 04044442), as a public company with limited liability under the Companies Act 1985. The registered office of the Borrower is at 40 Broadway, London SW1H 0BU. The Borrower is a wholly owned subsidiary of Capital Shopping Centres PLC and has no subsidiaries of its own.

1. Principal Activities

The principal objects of the Borrower are set out in clause 3 of its memorandum of association and are, among other things, to carry on all or any of the businesses of a property holding company and to carry on any other business or activity in connection or conjunction with such business.

2. Directors and Secretary

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

<u>Name</u>	<u>Business Address</u>	<u>Principal Activities</u>
Susan Folger	40 Broadway London SW1 0BU	Company Secretary
John George Abel	40 Broadway London SW1 0BU	Director
Peter Colin Badcock	40 Broadway London SW1 0BU	Director
Peter Charles Barton	40 Broadway London SW1 0BU	Director
Richard Malcolm Cable	40 Broadway London SW1 0BU	Director
Kay Elizabeth Chaldecott	40 Broadway London SW1 0BU	Director
David Andrew Fischel	40 Broadway London SW1 0BU	Director
Aidan Christopher Smith	40 Broadway London SW1 0BU	Director

3. Capitalisation and Indebtedness

The following table sets forth the capitalisation and indebtedness of the Borrower as at 31 December 2003, which has been extracted without material adjustment from the audited financial statements of the Borrower as at 31 December 2003 and adjusted financial information setting forth the effect of the transaction:

	As at 31 December 2003	
	Actual (£m)	Adjusted¹ (£m)
Short-term portion of long-term debt – secured.....	3.5	0.0
Long-term loans – secured	344.1	596.8
Amounts due to immediate parent company – unsecured ²	168.2	168.2
Amounts due to group undertakings – unsecured ²	465.3	216.1
Total indebtedness	981.1	981.1
Share capital	1.0	1.0
Revaluation reserve	15.8	15.8
Profit and loss account.....	-29.3	-29.3
Total shareholders' equity.....	-12.5	-12.5
Total capitalisation and indebtedness	968.6	968.6

1 The adjusted financial information sets out the capitalisation and indebtedness of the Borrower as if the transaction had taken place on 31 December 2003. In preparing this adjusted financial information, it has been assumed that the proceeds of the transaction have been applied to repay the existing secured loan facility and partially to repay inter-group debt.

2 Amounts due to the immediate parent company and group undertakings are subordinated to the secured long-term loans.

4. Financial Position

The Borrower's most recent audited financial statements (being for the years ended 31 December 2002 and 2003) are included at Appendix A to this Offering Circular.

At 31 December 2003, there were no contingent liabilities or guarantees of which the Directors were aware other than the liabilities presented above.

Since 31 December 2003, the revaluation reserve of the Borrower has increased by £17.7 million due to the revaluation of the Property as at 31 December 2004.

Except as described above, since 31 December 2003 there has been (a) no significant change in the financial position or prospects of the Borrower, and (b) no significant change in the trading or financial position of the Borrower.

DESCRIPTION OF THE PROPERTY

Introduction

The Property upon which the Loans will be secured comprises the land and buildings of the MetroCentre shopping centre, Gateshead, North East England (the **MetroCentre**).

The freehold of the property is vested in the Church Commissioners. The MetroCentre was originally developed by Cameron Hall Developments with financing from the Church Commissioners, who bought out the developer's interest in October 1987. Capital Shopping Centres purchased a 90 per cent. interest in the property in October 1995 through the creation of six leases. Subject to various options and rights to extend, the leases ultimately expire in September 2195. The Church Commissioners as ultimate landlord are entitled to receive 10 per cent. of net rents received in respect of the Property on an annual basis.

The MetroCentre is the largest retail shopping centre in the United Kingdom. Completed in 1986, it now provides approximately 169,084m² (1.82 million ft²) gross area of fully enclosed accommodation arranged over two principal levels, the Lower and Upper Malls. On 6 October 2004, the new Red Mall extension was opened, providing an additional 28 stores arranged over two levels and anchored by Debenhams.

The Property includes:

- department stores occupied by Debenhams and House of Fraser;
- a further four anchor stores occupied by Marks & Spencer, Bhs, Littlewoods and Woolworths;
- large stores including Boots, Argos, WH Smith, The Gap, New Look and H&M;
- national multiples including Next, the Arcadia Group (trading as Top Shop, Burtons, Evans, Dorothy Perkins), the John David Group (JD Sports), Zara, River Island, Moss Bros, Clinton Cards, French Connection, and the Dixons Group;
- a food court and mall-located cafes and restaurants;
- themed areas, connecting the main malls;
- an 11-screen UCI multiplex cinema;
- a bowling alley;
- an indoor theme park;
- an amusement arcade; and
- free parking with 9,247 surface and multi-storey car spaces.

As per the Valuation, gross rent (inclusive of reversionary income from outstanding rent reviews) in respect of the MetroCentre was £42,668,277 per annum. In addition, a further £8,486,750 of income is presently subject to rent free periods, of which £7,636,750 becomes payable in 2005. Rental income is further supplemented by turnover income, which equates to a further £890,035 per annum as currently budgeted.

The estimated rental value of the MetroCentre as at the Valuation Date was £57,566,866 per annum, including estimated rental values on all units that currently have a turnover rent. A significant number of leases are subject to rent reviews within the next two years.

The Valuer valued the various leasehold interests of the Property at £864,000,000 as at the Valuation Date.

Location

The MetroCentre is located approximately three miles west of Gateshead town centre (urban population 78,400), three miles south-west of Newcastle-Upon-Tyne (urban population 189,860) and within the Tyneside Conurbation of North East England. Newcastle comprises the principal focus of economic activity in the region. Sunderland is 12 miles to the south east via the A184, Middlesbrough is 40 miles also to the south east via the A19 and Durham is 16 miles south via the A1.

The property is situated immediately north of the A1 in a mixed use area. The bus and railway stations which serve the MetroCentre are situated to the north of the main complex and further north, between the Newcastle to Carlisle railway line and the River Tyne, is the Metro Riverside Park consisting of commercial, office, industrial and warehouse uses.

The main MetroCentre complex which is bounded by an orbital distributor road occupies a site of approximately 45 hectares (111 acres) and lies on the south bank of the River Tyne.

Access

Vehicular access to the centre is primarily from a purpose built interchange off the A1 Gateshead Western Bypass which forms part of the main strategic north-south route through Tyneside. A parallel route (A1114) links the A184 Consett route via Riverside Way to the A1. This route was opened to traffic in 1994 providing improved access to the land to the north of the centre as well as other development sites and the MetroCentre itself. A secondary access is provided to the site from the A1 through the Dunston Industrial Area via Cross Lane.

The MetroCentre is served by a new transport interchange, which was completed last year and comprises a new bus station and the existing adjoining rail station and coach park which are linked at first floor level to the blue mall (the **Blue Mall**) of the main shopping complex by a covered walkway adjacent to the cinema. There is a frequent bus shuttle service to Newcastle city centre and Gateshead town centre. In addition, access to the wider area is provided via rail links to Carlisle, Sunderland and Middlesbrough and bus and Metro services throughout the region.

Surrounding area

To the west is the Metro Retail Park, showrooms, hotel, restaurant, offices (Allison Court) and a large superstore occupied by Asda. Agricultural land lies south of the property forming part of the Great North Forest, which is protected by the designated Tyne and Wear Green Belt, together with the Swalwell built-up residential area.

Catchment population

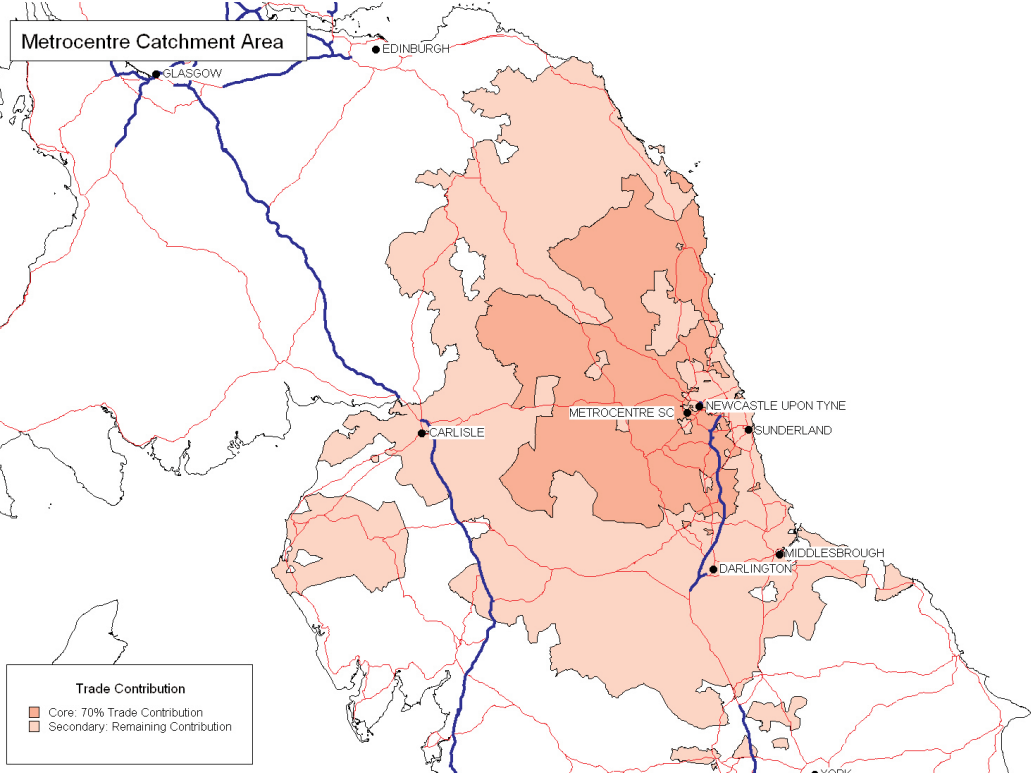
The Property dominates the market in North-East England, although its catchment area is smaller compared to the other five super-regional shopping centres in the UK. It enjoys long dwell times and a high level of spending per visitor. It has the highest penetration rate amongst the six super-regional shopping centres, as reflected in the table below.

Centre	Catchment Population	Shopping Population	Penetration Rate (per cent.)
MetroCentre	2,990,367	321,547	10.75
Merry Hill	4,108,947	393,694	9.48
Meadowhall	7,629,554	467,942	6.12
Lakeside.....	9,315,255	464,717	4.99
Bluewater	8,466,158	422,113	4.99
Trafford Centre.....	6,289,222	270,811	4.31

Source: CB Richard Ellis National Survey of Shopping Patterns

Note: There is some overlap between the catchments of Lakeside and Bluewater

The Property was the first super-regional shopping centre built in the UK and following the recent extension of the red mall (the **Red Mall**) has regained the position of largest retail and leisure centre in the country. In common with other out of town regional shopping centres, the MetroCentre attracts regular shoppers from a very large geographic area. The geographic extent of the MetroCentre's comparison goods catchment area is constrained to the south by Durham, Stockton on Tees, Hartlepool and Darlington, to the east by Sunderland, to the north by Newcastle Upon Tyne and Edinburgh and to the west by Carlisle. The MetroCentre's area of dominance lies in the more densely populated southern half of the MetroCentre's core catchment area.

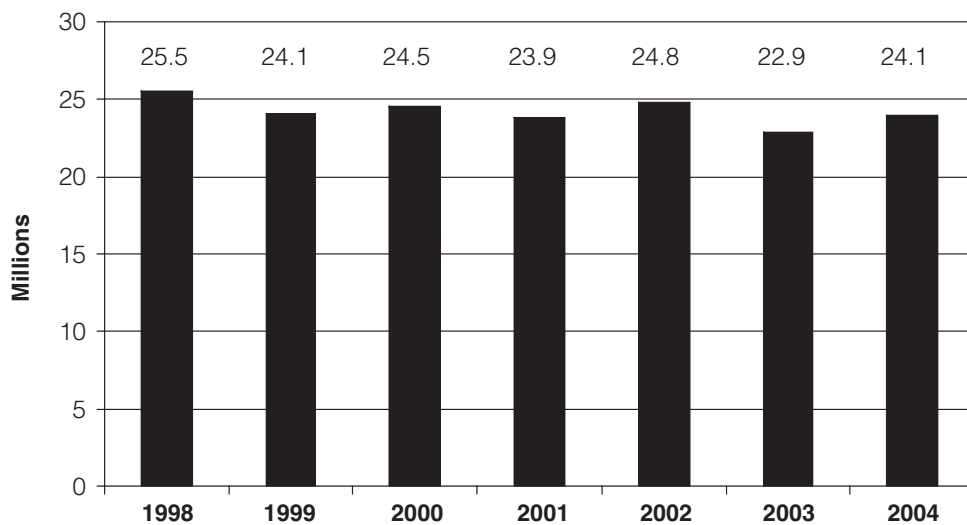


Source: Valuation

According to CB Richard Ellis National Survey of Local Shopping Patterns (**NSLSP**), a fully-dispersed national household survey programme, the catchment of the MetroCentre contains a population of 2,990,367. The MetroCentre attracts a regular comparison goods shopping population from its catchment of 321,547: a catchment penetration rate of 10.75 per cent.. The MetroCentre's shopping population is forecast to increase, due to development activity and inward population migration, by 2.87 per cent. over the 2003 to 2013 period.

According to NSLSP, the overall annual comparison goods spending potential of the MetroCentre's catchment is £5,396.59m; the MetroCentre's shopping population is estimated to spend £583.65m annually on comparison goods items. The figures for convenience goods expenditure are £6,123.86m and £659.13m respectively.

Annual footfall data is collected by pedestrian counters at each of the main entrances of the Property. The following chart depicts the annual shopper footfall data for each year:



Source: CSC MetroCentre Ltd

The numbers have varied slightly over the years, but remained in the 24-25 million range. The slight drop in 2003 is due to the redevelopment of the Red Mall, which limited the car parking provision and interrupted mall pedestrian flows. In 2004 the number of visitors rose to 24 million despite the Red Mall extension opening only in October 2004.

CSC MetroCentre statistics indicate that shoppers visit MetroCentre, on average, 39 times a year. The total average group spend per visit on all retail goods, catering and leisure combined is £119. The average length of stay is almost 2½ hours.

Competition

None of the other five super-regional shopping malls in the UK is within the catchment area.

The MetroCentre's primary competitors are the retail outlets in central Newcastle Upon Tyne, Middlesbrough and Sunderland who respectively attract 21.93 per cent., 8.95 per cent. and 7.47 per cent. of the MetroCentre's catchment residents for comparison goods shopping purposes. The very large geographic extent of the MetroCentre's catchment area results in the trading locations competing with the MetroCentre attracting the bulk of their trade from within the MetroCentre catchment area: Newcastle upon Tyne attracts almost 100 per cent. of its shoppers from the same area. This unusually high level of catchment overlap results from the concentration of competing centres in the main population belt adjacent to the east coast (population levels, and the number of competing centres, are much lower to the west). However, the retail offer in these competing locations is different in nature to the large, enclosed shopping mall environment offered by the Property.

The current retail offer is generally mass-market and well suited to the local population. There is limited up-market fashion offer at the MetroCentre, although this is available in Newcastle city centre. Eldon Square Shopping Centre has planning permission to be extended which may increase the competition to the MetroCentre in the medium term.

Tenure

The freehold of the property is vested in the Church Commissioners. The MetroCentre was developed by Cameron Hall Developments, with the Church Commissioners for England providing all the finance. In October 1987, the Church Commissioners bought out the developer's interests. Capital Shopping Centres purchased a 90 per cent. interest in the property for £342 million in

October 1995. At the time, six leases were put in place, which, subject to various options and rights to extend, ultimately expire in September 2195. The Church Commissioners as ultimate landlord are entitled to receive 10 per cent. of net rents received in respect of the Property on an annual basis.

The property comprises three separate elements as follows:

- Main Shopping Centre
- Coach Park
- Western Riverside Route

The Borrower holds two separate legal leasehold interests in respect of each site, totalling six altogether. The freehold of all three elements is vested in the Church Commissioners. The leasehold structure derived out of the freehold is described below.

A long lease was granted by the Church Commissioners to Royal Scott Leasing in respect of the Main Shopping Centre in 1985 and to Kleinwort Benson Leasing in respect of the Coach Park and Western Riverside Route. A peppercorn rent is payable in each case. The leasing companies subsequently granted long underleases back to the Church Commissioners at a nominal rent.

Main Shopping Centre

A sub-underlease which now vests in the Borrower derives out of the underlease to the Church Commissioners for a term of 99 years from 28 September 1995 until 27 September 2094. The Borrower has the right to extend the term until 5 October 2115 and this represents the principal interest in the property. The leasehold entitlement payable to the Church Commissioners is 10 per cent. of the net rents received.

The current occupational leases at the main shopping centre are granted out of this interest.

Coach Park

A sub-underlease which now vests in the Borrower was granted out of the Church Commissioners' underlease interest for a term of 49 years from 28 September 1995 until 31 July 2044 at an annual rent of £8. There are no occupational leases currently derived out of the Coach Park lease.

Western Riverside Route

A sub-underlease which now vests in the Borrower was granted out of the Church Commissioners' underlease for a term from 28 September 1995 expiring on 31 July 2044 at an annual rent of £8. There are no occupational leases currently derived out of the Western Riverside Route lease.

For each of the three elements, the Church Commissioners granted overriding headleases which are now vested in the Borrower for a term of 200 years from 28 September 1995 to 27 September 2195. This lease derives out of the Church Commissioners' freehold interest and effectively makes the 1985 leases granted to Royal Scott Leasing and Kleinwort Benson Leasing underleases. These headleases relate to a greater area than the sub-underleases and all other intervening interests. The annual rent is £8 until 6 October 2115, after which a rent of 10 per cent. of net rents received becomes payable.

Property description

The MetroCentre is Europe's largest purpose built out of town regional shopping and leisure centre. Phases 1 and 2 (red and green quadrants) opened in 1986 with Phase 3 (blue and yellow quadrants) opening the following year. On 6 October 2004, the new Red Mall was opened, providing an additional 28 new stores over two levels, including a new department store and a new

multi storey car park. In its current form, the MetroCentre provides approximately 169,084 m² (1.82 million ft²) gross area in over 335 retail units. The centre is arranged in four colour-coded zones known as the **Red Quadrant**, the **Green Quadrant**, the **Blue Quadrant** and the **Yellow Quadrant**, which radiate from a central (grey) mall linking to “town squares”.

The MetroCentre main complex comprises a mainly two level centre with strong activities at the end of each of its four quadrants i.e. Debenhams (Red Quadrant); Marks & Spencer (Green Quadrant); multiplex cinema and transport interchange (Blue Quadrant) and Metroland amusement centre (Yellow Quadrant).

The layout was designed to optimise the distribution of shoppers in the malls. The MetroCentre provides a covered shopping environment with feature courts at mall intersections, with the main feature, a “town square”, located in front of the House of Fraser unit at the main intersection at the heart of the centre. Natural daylight enters the malls through a series of roof lights and there are significant areas of soft landscaping at both levels throughout the centre to enhance the overall environment.

Traditionally, the green lower mall has been the prime trading location, but the opening of the new Red Mall extension should serve to extend the prime pitch to the units between Marks & Spencer and Debenhams on the lower (Red and Green) Malls. Debenhams, which trades on both mall levels, should also benefit Upper Mall tenants.

The scheme is anchored by House of Fraser, Marks & Spencer, Debenhams, Littlewoods, Bhs and Woolworths. The centre includes a large number of national multiple retailers as well as local independent traders who have been attracted to more specialised areas, particularly at first floor level.

Capital expenditures

Investments at MetroCentre, by Capital Shopping Centres, since the company bought the MetroCentre in 1995, exceed £130 million. The new Red Mall extension was opened on 6 October 2004. It was part of an £85 million development project which also included the construction of a new bus terminal, with direct access to the Blue Mall and the railway station, as well as a new multi-story car park with 1,100 spaces.

A breakdown of expenditures in respect of the MetroCentre is provided below.

Capital Expenditures	1999	2000	2001	2002	2003	2004
	(£ '000)					
Red Mall Extension, including						
Atrium remodelling.....	527	1,077	5,439	9,430	41,400	33,425
Unit & Mall Reconfigurations	6,090	165	4,348	917	1,738	2,988
Remodelling: Blue Quadrant	2,277	592	4,603	209	248	74
Total Capital Expenditures	8,894	1,834	14,390	10,556	43,386	36,487

Source: CSC MetroCentre Ltd

During 2005, CSC plan to re-floor the Grey and Green malls of the shopping centre with limestone flooring to match the new flooring in the Red Mall extension and to create a more seamless transition between old and new. The likely cost of the works is in the order of £8,000,000.

There are minor works currently being undertaken to extend the Boots unit at first floor level, which are due to complete in March 2005.

There are currently no plans by CSC to extend the centre further by undertaking any physical external alterations. However, the property offers opportunities for enhancement. For instance at the leisure areas of the scheme where the amusement park, bowling alley, cinema and food court

are considered to offer a variety of alternative uses that could provide an opportunity to improve the tenant mix, rental and therefore capital values.

Accommodation and tenants

The MetroCentre is currently subject to approximately 330 shop leases plus the six anchor stores. Some 86 per cent. of net internal area is let to national multiple retailers. The scheme is anchored by House of Fraser, Marks & Spencer, Debenhams, Bhs, Littlewoods, and Woolworths. Local independent traders who have been attracted to more specialised areas, particularly at first floor level. A breakdown of the net internal floor areas (NIA) for each unit type within the scheme is summarised in the table below:

Occupier Type	Gross Internal Area		Percentage of Combined GIA
	Sq m	Sq ft	
Department stores	33,964	365,589	20.1
Shop Units and anchors	112,165	1,207,337	66.3
Leisure	15,950	171,683	9.4
Village units	5,715	61,520	3.4
Kiosks / Suites / Storage	1,419	15,279	0.8
TOTAL	169,213	1,821,408	100.0

Source Valuation

The current tenancy position can be summarised as follows:

- Anchor Stores: Marks & Spencer, House of Fraser, Bhs, Debenhams, Littlewoods and Woolworths, which generate an overall rental income of £5,155,008 per annum, excluding any top-up turnover income which may be generated by Debenhams
- Large Stores: Boots, Argos, WH Smith, The Gap, New Look and H&M, which generate a base rate of £3,318,550 per annum at present, increasing to £4,160,550 by June 2005 as a result of rent free periods expiring and to £5,040,550 by June 2009 when the H&M lease converts from turnover only to base rent plus turnover top-up rent
- Shop Units, which include both national multiples and local retailers, which generate £38,397,054 per annum
- Three themed areas (The Village, The Studio and The Forum) located on the first floor are let to local retailers units, cafes and restaurants and currently account for £1,316,011 per annum of the total income
- Food court: The first floor food court adjacent to Metroland is currently let at a passing rental of £398,094 per annum
- Leisure Facilities including: UCI Multiplex cinema (11 screens), Bowling Alley and 'Metroland' Amusement Centre, which currently generate an overall rental income of £675,000 per annum
- The MetroCentre is served by four multi-storey and surface car parks, providing a total of 9,247 of free parking spaces at the Property. Additional parking for cars and coaches is provided within the "wider MetroCentre area" which includes the adjacent retail warehouse park, although not part of the Property.

The MetroCentre benefits from a wide variety of covenant strengths. The current tenant mix at the MetroCentre across industries is presented in the table below:

Tenant industry	Rent Payable*	Share (per cent.)	Net Lettable Area (ft ²)	Share (per cent.)
Mixed Fashion	9,163,270	18.0	182,801	11.5
Variety Stores.....	4,548,508	8.9	396,475	24.9
Womenswear	3,442,425	6.8	52,903	3.3
Menswear.....	2,879,725	5.6	36,788	2.3
Footwear	2,801,160	5.5	36,472	2.3
Sports.....	2,585,850	5.1	52,279	3.3
Jewellery	2,560,425	5.0	19,878	1.2
Electrical.....	2,447,795	4.8	33,369	2.1
Department Stores	2,438,000	4.8	297,764	18.7
Catering & Pubs.	2,374,794	4.7	89,822	5.6
Books	1,729,150	3.4	36,844	2.3
Miscellaneous.....	1,643,714	3.2	14,468	0.9
Chemists, Hlth & Bty, Pers Care	1,351,358	2.7	20,528	1.3
Music & Videos	1,344,500	2.6	21,352	1.3
Toys, Games & Comp Software	1,328,775	2.6	20,656	1.3
Childrenswear	1,240,800	2.4	17,822	1.1
Accessories	1,190,500	2.3	10,104	0.6
Cards & Stationery.....	877,580	1.7	10,932	0.7
Arts & Gifts.....	849,835	1.7	17,138	1.1
Service Operators	778,215	1.5	16,222	1.0
Leisure & Cinema.....	743,300	1.5	101,786	6.4
Food Stores	736,400	1.4	13,440	0.8
Opticians	522,250	1.0	11,758	0.7
Household Goods	519,375	1.0	19,343	1.2
Financial Services	435,000	0.9	9,662	0.6
Storage Accommodation	177,763	0.3	11,913	0.7
Soft Furnishing & Haberdashery	124,200	0.2	2,087	0.1
Luggage	87,500	0.2	803	0.1
Automated Teller Machine	32,050	0.1	401	0.0
Non Retail	27,500	0.1	3,037	0.2
Vacant	–	0.0	34,401	2.2
Grand Total	50,981,717	100	1,593,247	100.0

* Current contractual rent (including contractual rent in rent-free period and the Valuer's estimate of turnover income for Zara (see also "Leases" below)).

No single retail group accounts for more than 5 per cent. of total passing rent, exclusive of turnover rent. The ten largest tenants account for approximately 25.4 per cent. of passing rent. The largest tenant, the Arcadia Group trading as Top Shop, Burtens, Evans and Dorothy Perkins, accounts for 4.0 per cent. of passing rent. The top 50 tenants generate approximately 68.6 per cent. of passing rent, and the top 100 tenants generate approximately 86.8 per cent. of passing rent.

Rental Income and Net Property Income

As per the Valuation, gross rent (inclusive of reversionary income from outstanding rent reviews) in respect of the MetroCentre was £42,668,277 per annum. In addition, a further £8,486,750 of income is presently subject to rent free periods, of which £7,636,750 expire in 2005. Rental income is further supplemented by turnover income, which equates to an additional £890,035 per annum as currently budgeted.

The following table indicates a summary of the current income and rental value, assuming that the units that are currently subject to rent free periods are income producing and Valuer's assumptions on irrecoverable expenditures, assumed for the valuation.

MetroCentre Income Summary

Unit	Current £	Estimated Rental Value £
Income		
Retail shops	41,913,873	46,852,970
Turnover	890,035	0
Anchor stores	5,105,008	6,851,700
Leisure	675,000	1,025,000
Food court	398,094	398,100
Petrol station	423,398	100,000
Kiosks, storage & sundry	2,175,806	2,048,550
Barrows	290,546	290,546
Total Gross Rent	<u>51,871,752</u>	<u>57,566,866</u>
Less Irrecoverable Expenditure		
Non recoverable service charge	477,985	477,985
Landlord's marketing	660,384	660,384
Void rates	411,500	411,500
Asda service charge	346,155	0
Total Costs	<u>1,796,024</u>	<u>1,449,869</u>
Total Net Rent	<u><u>50,075,728</u></u>	<u><u>55,424,687</u></u>

Source: Valuation

The income analysis above is before any adjustments for the 10 per cent. ground rent, which the Valuer has calculated to be £4,355,466 based on actual current net income.

The £8,486,750 per annum of rent that is subject to rent free periods at present, is based upon the contracted income and the Borrower's anticipated turnover for the units that are let purely on a turnover basis.

The leases for the MetroCentre are on full internal repairing terms with each tenant liable for their internal demise and a proportionate share of the landlord's costs of repairing and maintaining the structure and common areas as well as management. However, there are a small number of leases where the rents are on a fully inclusive basis. The service charge is calculated principally as an apportionment of the total cost of provision of services, on the basis of the weighted floor areas of all lettable units.

In addition to the costs above, the Borrower will incur non-recoverable costs for professional fees relating to lettings, rent reviews and lease renewals. In accordance with usual valuation practice, the Valuer has not deducted these fees from the Valuation. These costs are reflected in the head rent calculation.

The table below sets forth actual income at the MetroCentre for the past six years. Figures for 2004 are subject to audit.

	1999	2000	2001	2002	2003	2004
	In £ '000					
Income						
Base Rent receivable	34,236	34,417	37,389	40,913	42,726	42,437
Amortisation of incentives & bad debt.....	(5)	5	(288)	14	(112)	445
Turnover rent	290	479	604	743	968	682
<i>Sub-total: Rental Income</i>	34,521	34,901	37,706	41,670	43,582	43,564
Mgmt fees service charge	406	381	447	471	511	548
CSC enterprises ⁽¹⁾	520	565	446	484	787	981
Interest and other income ⁽²⁾	410	158	176	159	249	1,213
Total income	35,857	36,005	38,795	42,783	45,127	46,306
Costs						
Void rates.....	372	67	27	273	128	46
Service charge voids ⁽³⁾	836	210	322	834	958	998
Third party fees	363	322	640	514	416	421
Centre mgmt non-recoverables	58	–	12	17	18	6
Other non-recoverables	500	648	640	587	616	617
Total costs	2,129	1,246	1,641	2,224	2,135	2,078
Gross NPI	33,728	34,759	37,154	40,559	42,992	44,228

(1) Contracted rental or licence income from advertisements, vending machines, aerials, all promotions and escalator advertising

(2) 2004 figure includes four premiums and redemption of gift vouchers of approximately £900,000 in total

(3) Non-recoverable costs related to the extension of the Red Mall were £508,000 in 2002, £590,000 in 2003 and £487,000 in 2004

Source: CSC MetroCentre Ltd

Vacancy

According to the Valuation, the retail unit vacancy level within the centre is low at 1 per cent. by gross internal area – approximately 1,771 sq m (19,060 sq ft) – excluding sundry storage areas or 1.6 per cent. if these ancillary areas are taken into account. Negotiations are currently underway for a number of vacant units, some of them held vacant to facilitate the completion of the new Red Mall.

The Borrower has indicated that the void number of units for the last five years excluding units held for development are as follows:

Vacancy rates at the MetroCentre

Date	Number of units	Rent (per cent.)	Area (per cent.)
1999	5	0.13	0.20
2000	4	1.00	0.44
2001	4	0.63	0.26
2002	4	0.16	0.35
2003	4	0.16	0.37

Source: CSC MetroCentre Ltd

Leases

The MetroCentre is currently subject to approximately 330 shop leases plus the six anchor stores. Some 86 per cent. of net internal area is let to national multiple retailers, providing a general indication of overall covenant strength.

The shop units are let on three different 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 66 units are currently let on turnover leases, under which a base rent of 80 per cent. of rack rental value is payable, together with a specified percentage of gross turnover. Most of the units in the new Red Mall are let on this basis, with the average turnover percentage payable being 10 per cent.. 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. These incorporate both rack rental and turnover lease terms, although the majority may be terminated by either party on one month's notice. These have rolling break clauses and the rent is reviewed on an ad hoc basis.

Prior to the letting of the new Red Mall extension, only a small proportion of the tenants were on turnover leases. From the anchor stores, only the Debenhams lease features a turnover element. Excluding the new Red Mall extension, the turnover top-up payable in addition to base rents equates to approximately £890,000 per annum.

The new Red Mall extension leases are mostly let on leases where the base rent is reviewed to 80 per cent. of the market value and there is a turnover provision. The units let to Karen Millen, H&M and Zara are let on terms with no base rent but just a turnover income at present, but the Karen Millen and H&M leases covert to leases with a base rate and a turnover provision at the time of their first rent review in June 2009.

Lease expiry profile

The MetroCentre is a well established centre with a long record of successful trading and as such offers a wide range of lease expiry dates from several months to over 80 years. The main anchors are Marks & Spencer, House of Fraser and Debenhams, which have an average unexpired term of approximately 32.7 years.

Approximately 36.3 per cent. of space is let on leases with an unexpired term of 25 years or longer and which generate approximately 8.4 per cent. of the MetroCentre's total rental income. Leases with an unexpired lease terms from 6 to 10 years account for approximately 48.0 per cent. of space and approximately 73.5 per cent. of total rental income, while leases of under 6 years account for approximately 6.2 per cent. of space and approximately 5.1 per cent. of total rental income.

Lease expiration analysis:

Years:	Vacant	0 - 5	6 - 10	11 - 15	16 - 25	25 +	Total
Tenant break not exercised							
Weighted by							
rent (£)	–	2,615,017	37,453,992	5,848,000	779,700	4,285,008	50,981,717
per cent. of total rent	0.0	5.1	73.5	11.5	1.5	8.4	100
Weighted by space (ft ²) ..	34,401	99,093	764,657	87,765	29,442	577,889	1,593,247
per cent. of total space.....	2.2	6.2	48.0	5.5	1.8	36.3	100
Tenant break exercised							
Weighted by							
rent (£)	–	3,159,011	36,921,198	5,848,000	768,500	4,285,008	50,981,717
per cent. of total rent	0.0	6.2	72.4	11.5	1.5	8.4	100
Weighted by space (ft ²) ..	34,401	126,355	737,961	87,765	28,876	577,889	1,593,247
per cent. of total space.....	2.2	7.9	46.3	5.5	1.8	36.3	100

There are 25 leases with break options. These leases account for 7.8 per cent. of rental income. Of these, the three leases to House of Fraser, Bhs and Marks & Spencer, which account for 6.1 per cent. of rental income, have long remaining lease terms in the range of 80 to 106 years, and first breaks in 31 years.

The table below summarises the terms of the leases to the six anchor tenants. Except for the Littlewoods lease which expires in 2011, there are no breaks before January 2036 and the earliest expiry is in September 2039.

Anchor Tenant	Contribution to Rent (per cent.)	Lease expiry	First break
Debenhams	2.40%	28-Sep-2039	–
House of Fraser	2.38%	23-Jun-2086	23/06/2036
Marks & Spencer	1.76%	30-Jan-2111	31/01/2036
Bhs	1.86%	23-Jun-2085	23/06/2036
Littlewoods	1.61%	24-Mar-2011	–
Woolworths.....	0.00%	29-Sep-2115	24/03/2036

Concentration of Lease Size:

Square feet:	Vacant (per cent.)	0-500 (per cent.)	500-2,500 (per cent.)	2,500-5,000 (per cent.)	5,000-10,000 (per cent.)	10,000-50,000 (per cent.)	50,000-100,000 (per cent.)	100,000+ (per cent.)	Total (per cent.)
Weighted by rent (£)	0.0	5.8	25.3	21.8	19.8	18.9	1.9	6.5	100
Weighted by space (ft ²).....	2.2	1.6	12.9	11.2	13.2	22.7	7.7	28.6	100

Estimated Rental Value

The Valuer has estimated the total gross rental value for the MetroCentre as at the Valuation Date at £57,566,866 per annum, including estimated rental values on all units that currently have a turnover rent. A significant number of existing tenancies are subject to rent review within the next two years compared to a gross passing rent of £42,668,277 per annum assuming that any outstanding rent reviews are settled at estimated rental value and exclusive of new leases still under rent free period.

The prime estimated rental value (the prime rack Zone A rate) at the MetroCentre is currently £3,500 per m² (£325 per ft²). It is a feature of the MetroCentre that the highest Zone A rate applies to only a relatively small area (Sector 1 – Green) on the ground floor. There remains scope for

extending this to other areas, particularly Sector 2 (Red), Sector 3 (Grey) and the first floor, as a result of the Red Mall extension. The remainder of the scheme is let at lower rental levels.

Market Value

The Valuer has determined the market value of the leasehold interests in the Property, subject to the existing tenancies, to be £864,000,000 as at the Valuation Date.

VALUATION REPORT

CSC MetroCentre Limited
40 Broadway
London SW1H 0BT

Eurohypo AG London Branch as **Loan Arranger, Note Arranger, Loan Facility Agent, and Servicer**

90 Long Acre
Covent Garden
London WC2E 9RA

Opera Finance (MetroCentre) plc as **Issuer and Initial Lender**

Blackwell House
Guildhall Yard
London EC2V 5AE

The Royal Bank of Scotland plc as **Joint Bookrunner**

135 Bishopsgate
London EC4M 3UR

UBS Limited as **Joint Bookrunner**

100 Liverpool Street
London EC2M 2PP

HSBC Trustee (C.I.) Limited as **Trustee**

1 Grenville Street
St Helier
Jersey JE4 9PF

28 January 2005

Ladies and Gentlemen

VALUATION OF THE METROCENTRE, GATESHEAD

1. Instructions

- 1.1 In accordance with instructions received from Eurohypo AG on 25 November 2004, we have inspected the property described in the Schedule, (the **Property**) and made all relevant enquiries in order to provide our opinion of Market Value of the long leasehold interests, subject to and with the benefit of the various occupational leases in the Property as at 6 December 2004 (the **Valuation Date**).
- 1.2 We understand that our valuation 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 of 1984 of Ireland for listing of debt securities on the Irish Stock Exchange. This report (**Valuation Report**) has been prepared for the purpose of inclusion in a circular to investors (the **Offering Circular**).

2. The Property

- 2.1 The Property we have valued is briefly described in the Schedule (the **Schedule**) attached to this Valuation Report.

3. Basis of Valuation

3.1 Our valuation has been carried out in accordance with The Royal Institution of Chartered Surveyors' (RICS) Appraisal and Valuation Standards (5th Edition), (the **Standards**) and in accordance with the relevant provisions of the Listing Rules made under the European Communities (Stock Exchange) Regulations 1984 of Ireland. They have been undertaken by External Valuers, as defined in the Standards.

3.2 In accordance with the Standards, our valuations have been prepared on the basis of Market Value, which is defined in the Standards, as follows:

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

4. Valuations

4.1 On the bases outlined in this Valuation Report, we are of the opinion that the Market Value as at 6 December 2004 of the respective leasehold interests, subject to and with the benefit of the various occupational leases or agreements to lease and otherwise with vacant possession, is as summarised in the Schedule.

4.2 Our valuation is exclusive of any value added tax. The Market Value as at 6 December 2004 is £864,000,000 (eight hundred and sixty four million pounds).

4.3 We are of the opinion that since the date of valuation there has been no diminution in the value of the Property as at 28 January 2005.

5. Transaction Costs

5.1 No allowances have been made for any expenses of realisation nor for taxation which might arise in the event of a disposal of the Property. Our valuation is, however, net of acquisition costs.

5.2 Our valuation reflects the current Stamp Duty Land Tax status of the Property, namely that it is not in an area declared to be a “disadvantaged area” and therefore any property purchased in that area does attract Stamp Duty Land Tax.

6. Estimated Net Annual Rents Receivable

6.1 In the Schedule, we set out our estimate of the net annual rent currently receivable from the Property. In providing this estimate, we define “net annual rent” as “the current income or income estimated by the valuer:

- (a) ignoring any special receipts or deductions arising from the property;
- (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.”

6.2 Where premises are let on effective full repairing and insuring leases, the net annual rents receivable stated in the Schedule are the presently contracted rents payable under those leases or agreements to lease without any deduction for the cost of management or any other expenses.

6.3 In the Schedule where leases are subject to rent-free periods which have not expired, the total Estimated Net Annual Rents Receivable stated reflect the present nil rent passing under those leases. We have stated the total including the rents payable following expiry of the rent-free periods within the Terms of Existing Tenancies column.

7. Estimated Net Annual Rents

7.1 The Schedule sets out our opinion of the current Estimated Net Annual Rents, which is our opinion of the best rent at which a letting of an interest in the Property would have been completed at the date of valuation assuming:

- (a) a willing landlord;
- (b) that, prior to the date of valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement of the rent and other letting terms and for the completion of the letting;
- (c) that the state of the market, levels of values and other circumstances were, on any earlier assumed date of entering into an agreement for lease, the same as on the date of valuation;
- (d) that no account is taken of any additional bid by a prospective tenant with a special interest;
- (e) that, where the Property is subject to a lease or an agreement to lease, the length of term and principal conditions assumed to apply to the letting and the other lease terms are the same as those referred to in the rent review clause and schedule contained in the relevant occupational lease, which we confirm are not exceptionally onerous or beneficial for a letting of the type and class of the property;
- (f) that, for parts of the Property which are not subject to a lease or an agreement to lease, the length of term and principal conditions assumed to apply to the letting and the other lease terms are not exceptionally onerous or beneficial for a letting of the type and class of property; and
- (g) that both parties to the transaction had acted knowledgeably, prudently and without compulsion.

8. Assumptions and Sources of Information

Floor Areas

8.1 We have relied upon the floor areas provided to us by CSC MetroCentre Limited. We have previously undertaken check measurements on site and the floor area figures provided have proved to be accurate. We assume that all floor area figures provided are complete and correct and calculated in accordance with the Fifth Edition of the Code of Measuring Practice issued by the RICS. All measurements and areas quoted in this Valuation Report are approximate.

Plant and Machinery

8.2 Landlords' plant and machinery such as lifts, escalators, air conditioning and other normal service installations have been treated as an integral part of the Property and are included within our valuations. Process plant and machinery, tenants' fixtures and specialist trade fittings have been excluded from our valuation.

- 8.3 No specialist tests have been carried out on any of the service systems and, for the purpose of our valuation, we have assumed that all are either in good working order or in compliance with any relevant statute, by-law or regulation.

Environmental Investigations, Ground Conditions and High Voltage Apparatus

- 8.4 We have not ourselves undertaken any environmental investigations for contamination or otherwise, but we have had sight of various environmental reports and our valuations have been made in full knowledge of the contents thereof.
- 8.5 We have assumed that, except to the extent (if any) disclosed to us by CSC MetroCentre Limited or in the environmental report, there are no abnormal ground conditions, nor archaeological remains present which might adversely affect the present or future occupation, development or value of the Property.
- 8.6 We are informed that high voltage supply apparatus exists within, or in close proximity to the Property. If required, technical information can be obtained from the National Radiological Protection Board. Public perception that higher than normal electromagnetic fields may affect health could adversely affect future marketability and value. We do not believe the market would make a discount to reflect these matters and therefore in our valuation we have made no allowance for them.

Inspection

- 8.7 We inspected the Property internally on 26 November 2004. We have been advised by the Directors of CSC MetroCentre Limited that there have been no material changes to the Property since our inspection.

Building Structure

- 8.8 We were not instructed to carry out structural surveys for the purpose of this Valuation and have assumed that there are not and will not be any structural or latent defects within the Property. From our inspection, the Property appeared to be well maintained and in good condition. We have assumed that no known deleterious or hazardous materials have been or are being utilised in the construction of the Property. In view of the period during which construction of the Property took place, we consider this assumption to be reasonable.

Town Planning and Statutory Requirements

- 8.9 We have made verbal town planning enquiries only. In the course of our enquiries, we were advised by the local planning authority that there are no adverse town planning, highway or other schemes or proposals. Information supplied to us by planning officers is, however, given without liability on their part, and we cannot therefore accept responsibility for incorrect information or for material omissions in the information supplied.
- 8.10 We have assumed that, save as may be disclosed by the Certificates referred to below, all relevant planning consents exist for the Property and the respective present or proposed uses (as appropriate).
- 8.11 We have assumed that the building currently complies with all statutory and local authority requirements including building, fire and health and safety regulations.

Tenure and Tenancies

- 8.12 We have inspected the certificates of title and reports (attaching lease summaries) prepared by CSC MetroCentre Limited's solicitors dated 28 January 2005 (the **Certificates**) and confirm as follows:

- (a) where we have relied upon information provided to us by CSC MetroCentre Limited, such information is not inconsistent with the Certificates;
- (b) we have assumed that, save as may be disclosed by the Certificates, the Property possesses good marketable titles free from any unusual encumbrances, restrictions or obligations;
- (c) we have assumed that, save as may be disclosed by the Certificates, nothing would be revealed by any local search or replies to usual enquiries of the seller which would materially adversely affect the value of the Property; and
- (d) in the lease summaries attached to the Certificates, we have identified a number of minor differences in lease details from those used in our valuation dated 6 December 2004. We confirm that these differences are not material and have no adverse effect on reported Market Value.

8.13 No account has been taken of any mortgages, debentures or other security which may now or in the future exist over the Property.

Third Party Covenants

8.14 We have not conducted credit enquiries into the financial status of any of the tenants, building contractors or other parties with whom CSC MetroCentre Limited has entered into contracts. However, in undertaking our valuation we have reflected our understanding of the market's perception of the financial status of those parties. We have also assumed that each party is capable of meeting its lease obligations and that there are no material undisclosed breaches of covenant.

Unlet and Company Occupied Accommodation

8.15 We have assumed that full vacant possession can be provided of all accommodation which is unlet or occupied by CSC MetroCentre Limited or by its employees or contractors.

9. Independence

9.1 The total fees including the fee for this assignment, earned by CB Richard Ellis Limited (or other companies forming part of the same group of companies within the UK) from CSC MetroCentre Limited (or other companies forming part of the same group of companies) is less than 5.0 per cent of the respective companies' total UK revenues.

10. Disclosure

10.1 The signatory of this report has continuously been the signatory of valuations for CSC MetroCentre Limited since 2001. CB Richard Ellis (formerly CB Hillier Parker) has continuously been carrying out valuation instructions for CSC MetroCentre Limited since 1995.

10.2 CB Richard Ellis Limited has carried out Valuation and Agency services on behalf of CSC MetroCentre Limited for between 5 and 9 years.

11. Options and Directors' Dealings

11.1 We are not aware of any Directors' dealings or potential dealings in the property.

12. Responsibility

12.1 This Valuation Report is for the use only of the following parties:

- (a) the addressees of this Report; and

- (b) shareholders of CSC MetroCentre Limited and may be relied upon by each of them in connection with the issue of the Offering Circular and for no other purpose. We acknowledge that this Valuation Report is also to be disclosed to the rating agencies; namely Fitch, Moodys and Standard & Poors, who are to allocate investment ratings to the Notes.

12.2 Neither the whole nor any part of this Valuation Report nor any reference thereto may be included in any other published document, circular or statement, nor published in any way without our written approval of the form and context in which it is to appear.

Yours faithfully

**PHILIP CROPPER FRICS
EXECUTIVE DIRECTOR**

For and on behalf of

**CB RICHARD ELLIS
KINGSLEY HOUSE
WIMPOLE STREET
LONDON
W1G 0RE**

SCHEDULE 1

PROPERTY HELD AS AN INVESTMENT

Property Details as at 6 December 2004

Property	Description, Age and Tenure	Terms of Existing Tenancies	Estimated Net Annual Rents Receivable	Estimated Net Annual Rents	Market Value
The MetroCentre Gateshead	<p>The largest enclosed regional shopping and leisure centre in the country, providing a total of approximately 169,084 sq m (1,820,000 sq ft) gross on two floors and 9,247 free car spaces.</p> <p>There are approximately 335 retail units including stores let to Marks & Spencer, House of Fraser, Debenhams, Boots and Woolworths. There is also a cinema, bowling alley, amusement centre and food court.</p> <p>Built 1986 - 2004.</p> <p>Leasehold – held on six leases. The two leases for the main shopping centre are held until September 2195 at a rent of 10 per cent. of the net rents received; the two leases for the coach park are held for a similar term but at a fixed rent of £8pa and the two leases for the western riverside route are held for a similar term and also at a fixed rent of £8pa.</p>	<p>Unit shop leases are of varying lease lengths depending on the date of grant, but are generally of a minimum of 10 year's duration and have five yearly upward only rent reviews. A number of leases are reviewed to 80 per cent. of Market Value and have turnover rents equating to between 7 and 13 per cent. of turnover.</p> <p>The stores are let for a minimum of 25 years and also have five yearly upward only rent reviews.</p> <p>The leases are generally held on full repairing and insuring leases, with the exception of the licences and the landlord's costs are recouped via a service charge.</p> <p>The contracted rent after expiry of the rent free periods will add an additional rent of £8,486,750 pa.</p>	£37,483,802	£50,260,310	£864,000,000

CREDIT STRUCTURE

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 Property. 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.

The Borrower will be obliged under a costs indemnity dated on or before the Closing Date to repay certain costs to the Loan Arranger in connection with the origination of the Loans.

2. Legal Due Diligence

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

Eurohypo's solicitors and Eurohypo obtained general information relating to the proposed Loans including details of the Borrower's shareholders; the accounts to be operated in connection with the proposed facility; arrangements for the collection of rents and/or management of the Property including details of managing agents; and insurance of the Property.

(a) *Title and Other Investigation*

A certificate of title (the **Certificate of Title**) being substantially in the City of London Law Society's standard form 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 Certificate of Title included the usual review of title documentation and Land Registry entries (including any lease under which the Property was held) together with all usual Land Registry, Local Authority and other appropriate searches. In addition, all leases and tenancies affecting the Property 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 Certificate of Title issued by the Borrower's solicitors and confirmed the adequacy of the form and content of the Certificate of Title and highlighted any matters that they considered should be drawn to the attention of Eurohypo and the Valuer.

Eurohypo's solicitors have obtained written confirmation from the Valuer that the terms of the Certificate of Title were taken into account in the valuation.

(b) *Capacity of Borrower*

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

(c) *Registration of Security*

Following drawdown of the Loans, the 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 Property will be held by Eurohypo's solicitors to the order of the Loan Facility Agent. The Borrowers' solicitors will retain certain commercial leases for management purposes but will do so on the basis that they are held to the order of Eurohypo's solicitors.

(d) *Environmental and Structural Reports*

Waterman Environmental have reviewed previous site investigations and recommendations in respect of the Property and report that most of the recommendations have been implemented. Eurohypo (as Loan Arranger) has been informed that the remainder of the recommendations in the report are being actively progressed.

Regular subsidence monitoring has indicated that the remedial works carried out in respect of the Blue Quadrant at the Property have been successful and that ground settlement is stabilising and settlement of the Yellow Quadrant has been within normal parameters.

3. Credit Agreement

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

The Credit Agreement will be governed by English law. The Credit Agreement will contain the types of representations and warranties and undertakings on the part of the Borrower that a reasonably prudent lender making loans secured on commercial properties of this type would customarily require. 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 £600,000,000.

The Borrower may, from time to time, request that the Issuer (as Initial Lender) or any other Lender increase its term commitment in a minimum amount of £5,000,000 and integral multiples thereafter of £1,000,000 by written notice to the Loan Facility Agent. If the relevant Lender agrees in writing to such a request, its total term commitment under the Credit Agreement will be increased accordingly. However, the Credit Agreement will place no obligation on the Issuer or any other Lender 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 or any other Lender that would require the Issuer to make any further advances to the Borrower.

No such additional lending under the Loan Facility will be permitted unless all the Lenders consent to such additional lending and the Rating Agencies confirm that the then current ratings of each class of Notes will not be adversely affected.

(b) *Conditions precedent*

The Issuer's obligation to make the Loans under the Credit Agreement will be subject to the Loan 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, CSC, Liberty International and any other Subordinated Creditor, a valuation in respect of the Property, evidence of insurance cover in respect of the Property and the Loan Facility Agent being named as co-insured on any Insurance Policies, all title documents relating to the Borrower's interest in the Property, copies of all occupational leases and title searches related to the Property, security documents (and releases of existing security), a copy of the Borrower's VAT registration certificate and evidence that the Borrower has elected to waive exemption in relation to the Property and all relevant legal opinions and notices in connection with the assignment of rental income, charging of bank accounts and assignment of the Hedging Arrangements.

(c) *Interest and amortisation payments/repayments*

Interest under the Loans will be paid quarterly in arrear on 2 February, 2 May, 2 August and 2 November in each year in respect of successive Loan Interest Periods.

Unless previously repaid, the Loans will be repayable in full on 2 February 2015.

Prior to the Loan Maturity Date, subject to deferral of amounts (see below), the Borrower will be required, on the Loan Interest Payment Date falling in May 2005 and each Loan Interest Payment Date thereafter, to repay an amount of the Loans equal to the following specified percentages of the aggregate Loans then outstanding:

- (i) if the Loan Interest Payment Date falls on or after 2 May 2005 and before 2 May 2006, 0.25 per cent.;
- (ii) if the Loan Interest Payment Date falls on or after 2 May 2006 and before 2 May 2007, 0.30 per cent.; and
- (iii) if the Loan Interest Payment Date falls on or after 2 May 2007 and before 2 May 2008, 0.35 per cent.; and
- (iv) if the Loan Interest Payment Date falls on or after 2 May 2008 and before 2 May 2009, 0.40 per cent.; and
- (v) if the Loan Interest Payment Date falls on or after 2 May 2009 and before 2 May 2010, 0.50 per cent.; and
- (vi) if the Loan Interest Payment Date falls on or after 2 May 2010 and before 2 May 2011, 0.55 per cent.; and
- (vii) if the Loan Interest Payment Date falls on or after 2 May 2011 and before 2 May 2012, 0.60 per cent.; and
- (viii) if the Loan Interest Payment Date falls on or after 2 May 2012 and before 2 May 2013, 0.65 per cent.; and
- (ix) if the Loan Interest Payment Date falls on or after 2 May 2013 and before 2 May 2014, 0.70 per cent.; and
- (iv) if the Loan Interest Payment Date falls on or after 2 May 2014, 0.75 per cent.

Amounts repaid in accordance with the above will be applied as follows:

- (i) first, in repayment of the Tranche A Loan until the Tranche A Loan is repaid;
- (ii) second, in repayment of the Tranche B Loan until the Tranche B Loan is repaid;
- (iii) third, in repayment of the Tranche C Loan until the Tranche C Loan is repaid; and
- (iv) fourth, in repayment of the Tranche D Loan until the Tranche D Loan is repaid.

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 £5,000,000) by giving not less than 35 days' prior written notice to the Loan Facility Agent and subject to payment of the following prepayment fees:

- (i) if prepayment occurs before the first anniversary of the Closing Date, a fee of 1.00 per cent. of the amount of the Loans prepaid;
- (ii) if prepayment occurs on or after the first anniversary of the Closing Date but on or before the second anniversary of the Closing Date, a fee of 0.50 per cent. of the amount of the Loans prepaid; and
- (iii) if prepayment occurs after the second anniversary of the Closing Date, no prepayment fee shall apply.

Such prepayment fees will not be payable in circumstances where the Borrower prepays on account of (i) an increase in the Lenders' costs arising out of a change of law or regulation which has been passed onto the Borrower, (ii) the Borrower is obliged to gross up interest payable on the Loan, (iii) it becomes unlawful for a Lender to give effect to any of its obligations under the Credit Agreement and a Lender requests repayment or (iv) there has been a failure of the Loan Facility Agent and the majority Lenders to consent to a change in shareholding of the Borrower as provided for in the Credit Agreement.

In connection with prepayments by the Borrower, where the notional amount of the Hedging Arrangements exceeds the aggregate amount of the Loans currently outstanding following prepayments by the Borrower, the Borrower will reduce the notional amount of the Hedging Arrangements by an amount and in a manner satisfactory to the Loan Facility Agent (acting reasonably) to reflect the aggregate amount of the Loans then outstanding (as described further in "*Hedging obligations*" below).

On each Loan Interest Payment Date, moneys will be debited from the Debt Service Account to discharge any interest, principal payments and/or other sums due under the Credit Agreement and the Hedging Arrangements. Any surplus monies will remain standing to the credit of the Rent and General Account and, subject to there being no Loan Event of Default outstanding and any restriction in the Subordination Deed and certain other obligations may be withdrawn by the Borrower.

With respect to (a) amortisation payments, (b) amounts due and payable to a Hedge Counterparty under any Hedging Arrangements as a result of termination or closing out of that Hedging Arrangement (c) amounts due and payable with respect to certain fees payable to the Issuer and (d) any other amount due but unpaid, on a Loan Interest Payment Date, under the Finance Documents after payment of the amounts set out in **paragraphs (i) to (v)** of the Loan Waterfall (see further in "*Debt Service Account*") if, on any Loan Interest Payment Date, after applying amounts standing to the credit of the Debt Service Account against those items which rank ahead of items (a) to (d) above in the Loan Waterfall (see further in "*Debt Service Account*") the remaining amount would be insufficient to pay any of items (a) to (d) above which are due and payable on that Loan Interest Payment Date the remaining amount will be applied against items (a) to (d) in accordance with the Loan Waterfall (see "*Debt Service Account*") to the extent of the remaining amount. Any amount of items (a) to (d) not paid on any Loan Interest Payment Date will be deferred and become due and payable on the next Loan Interest Payment Date subject to the Borrower having sufficient funds to pay such amounts. The Borrower will no longer be able to defer amounts if the Loan Facility Agent serves notice on the Borrower cancelling any outstanding commitment under the Credit Agreement and/or demanding 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 demanding that all or part of the Loans become payable on demand and/or applying monies standing to the credit of the Borrower's Accounts towards repayment of any amount due to any party under the Finance Documents.

(d) *Accounts*

All income and receivables in respect of the Property and all amounts payable to the Borrower under the Hedging Arrangements will be paid into a current account (the **Rent and General Account**) in the name of the Borrower. Monies standing to the Rent and General Account will then be distributed as follows:

- (i) an amount sufficient to meet the Borrower's obligations (A) in respect of items **paragraphs (i) to (v)** of the Loan Waterfall (see "*Debt Service Account*") and (B) to the extent that monies are remaining, an amount sufficient to meet the Borrower's obligations in respect of **paragraphs (vi) to (ix)** of the Loan Waterfall (see "*Debt Service Account*") falling due on the next Loan Interest Payment Date will be transferred into a debt service account (the **Debt Service Account**) in the name of the Borrower and charged to the Loan Facility Agent;
- (ii) all value added tax received from any occupational lease in respect of the Property will be transferred into a deposit account (the **VAT Account**) in the name of the Borrower and charged to the Loan Facility Agent; and
- (iii) any amounts received in respect of insurance costs and service charges under any occupational lease in respect of the Property will be transferred into a service charge account (the **Service Charge Account**) in the name of the Borrower and charged to the Loan Facility Agent.

The Rent and General Account, the Debt Service Account, the VAT Account and the Service Charge Account, together with all other accounts established in accordance with the Credit Agreement and charged as security for the Loans (including the Deposit Account), are referred to herein as the **Borrower's Accounts**.

Under the Credit Agreement, each Borrower's Account must be maintained with a bank that has a rating of "F1" (or better) by Fitch, "P-1" (or better) by Moody's and "A-1 +" (or better) by S&P for its short-term debt obligations and "A" (or better) by Fitch, "A1" (or better) by Moody's and an "A+" (or better) by S&P for its long-term debt obligations.

For more detailed information see "*5. Borrower's Accounts*" below.

(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 Property and which does not vary according to prevailing interest rates).

Pursuant to the Credit Agreement, the Borrower will enter into Hedging Arrangements in respect of the Loans (the **Hedging Arrangements**) with the Hedge Counterparty. Each Hedge Counterparty under the Credit Agreement must have a requisite rating of "F1" (or better) by Fitch, "P-1" (or better) by Moody's and "A-1" (or better) by S&P for its short-term debt obligations and "A1" (or better) by Moody's and "A" (or better) by Fitch for its long-term debt obligations or, as in the case of Eurohypo, must arrange to transfer collateral to the Borrower in an amount acceptable to the Rating Agencies pursuant to a credit support annex in respect of its obligations under the Hedging Arrangements.

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 amount of the Hedging Arrangements exceeds 100 per cent. of the aggregate amount of the Loans then outstanding, the Borrower will reduce the notional amount of the Hedging Arrangements by an amount and in a manner satisfactory to the Loan Facility Agent (acting reasonably) to reflect the aggregate amount of the Loans then outstanding.

Subject to agreement with the relevant counterparty, the Borrower will be entitled to terminate Hedging Arrangements so long as the Borrower has entered into substitute Hedging Arrangements with counterparties having the minimum ratings referred to above in accordance with the terms of the Credit Agreement.

Neither the Borrower nor a Hedge Counterparty in respect of any Hedging Arrangements will be entitled to amend or waive the terms of any Hedging Arrangements without the consent of the Loan Facility Agent (such consent not to be unreasonably withheld or delayed where the relevant counterparty is also a Lender).

Except as set forth above, neither the Borrower nor a Hedge Counterparty in respect of any Hedging Arrangements will be permitted to terminate or close out any Hedging Arrangements except:

- (i) in case of illegality;
- (ii) where all outstanding amounts under the Finance Documents (other than the Hedging Arrangements) have been paid in full;
- (iii) 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 Loan Facility Agent; or
- (iv) in the case of the Borrower only, upon the request of the Loan Facility Agent as a result of a counterparty to the Hedging Arrangements failing to comply with the provisions of the relevant Hedging Arrangements regarding a Rating Event (as defined below).

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 a Loan 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 Loan 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 and/or applies any monies standing to the credit of each Borrower's Account in or towards repayment of any amount due to the Loan Secured Creditors under the Finance Documents. A Hedging Loan will bear interest at a default rate 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 Debt Service Account or from the proceeds of a loan from a Subordinated Creditor to the Borrower or from the proceeds of a subscription for shares in the Borrower or otherwise in accordance with the Credit Agreement.

(g) *Representations and warranties*

The representations and warranties to be given by the Borrower under the Credit Agreement, as of the date of the Credit Agreement, the date of drawdown and (subject to certain exceptions) each Loan Interest Payment Date, will include, among other things, the following statements:

- (i) the Borrower is duly incorporated as a limited liability company under the laws of England and Wales and has the power to own its assets and carry on its business and to enter into, perform and deliver the Finance Documents and such entry into and performance of the Finance Documents will constitute a legal, valid, binding and enforceable obligation of the Borrower (subject to certain qualifications) and not conflict in any material respect with any applicable law or regulation or in any material respect with any document binding on it or the constitutional documents of the Borrower;
- (ii) no Loan Event of Default is outstanding or would be reasonably likely to result from the making of the Loans;
- (iii) subject to due registration of the relevant loan security documents, all authorisations required in connection with entry into, performance, validity and enforceability of the Finance Documents have been obtained or effected and are in full force and effect;
- (iv) the Borrower is the legal and beneficial owner of the Property and has good and marketable title to the Property, in each case free from any security interests (other than those set out in the Borrower Security Agreement and the Related Security);
- (v) the security conferred by the Borrower Security Agreement and the Related Security 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 (other than preferred claims arising from applicable bankruptcy or insolvency laws) and which are not liable to avoidance on liquidation or administration;
- (vi) no litigation, arbitration or administrative proceedings are current or, to the knowledge of the Borrower pending or threatened which, if adversely determined, are reasonably likely to have a material adverse effect;
- (vii) all written information supplied by the Borrower to the Loan Arranger, the Lenders and the Loan Facility Agent, among others, in connection with the Finance Documents was true, accurate and complete in all material respects as at its date and did not omit at its date any information which made the information supplied misleading in any material respect;

- (viii) all information supplied by the Borrower to the Valuer for the purposes of the Valuation was true, complete and accurate in all material respects as at its date and did not omit as at its date any information which might adversely affect the Valuation in any material respect;
- (ix) the accounts of the Borrower most recently delivered to the Loan Facility Agent have been prepared in accordance with accounting principles and practices generally accepted in the United Kingdom and fairly represent the financial condition of the Borrower as at the date to which they were drawn up, and as at the first drawdown date there has been no material adverse change in the financial condition of the Borrower since the date of the accounts;
- (x) since the date it became a subsidiary of CSC, the Borrower has neither carried on any business (other than ownership, development, extension, refurbishment and management of its interest in the Property) nor entered into any material agreements (other than the Finance Documents and agreements connected with the construction, acquisition, ownership and management of the Property permitted under the Finance Documents);
- (xi) the Borrower has no subsidiary; and
- (xii) as at the date of the Credit Agreement:
 - (A) the Borrower is wholly owned by CSC; and
 - (B) all of CSC's issued share capital is ultimately beneficially owned by Liberty International.

(h) *Undertakings*

The Borrower 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 provide the Loan Facility Agent with financial information on an ongoing basis, including audited accounts, as soon as possible at the end of each financial year;
- (ii) to supply the details of any shareholder or creditor documentation;
- (iii) to supply details of any litigation, arbitration or administrative proceedings which are current or to its knowledge threatened and which are reasonably likely to, if adversely determined, have a material adverse effect;
- (iv) to notify the Loan Facility Agent promptly of any Loan Event of Default;
- (v) to procure that the Borrower's obligations under the Finance Documents rank at least *pari passu* with all other present and future unsecured obligations (other than obligations mandatorily preferred by law) and not to create or permit any security interest to arise over any of its assets (other than certain customary exceptions) and not (without the consent of the majority Lenders and subject to customary exceptions) to sell, transfer, lease or otherwise dispose of all or any part of its assets;
- (vi) not to enter into any amalgamation, demerger, merger or reconstruction without the consent of the majority Lenders or acquire any assets or business or make any investments other than its interests in the Property or the construction, acquisition, ownership and management of the Property;
- (vii) not to make any loans or provide any other form of credit or to give any guarantee or indemnity to any person (other than certain customary exceptions);

- (viii) not to incur any unsubordinated financial indebtedness in an amount greater than £1,000,000 (other than indebtedness incurred under the Finance Documents or trading counter-indemnities);
- (ix) not to enter into any contracts other than the Finance Documents or contracts in connection with the construction, acquisition, ownership and management of the Property or otherwise as permitted under the Credit Agreement;
- (x) not to declare or pay any dividend or make any distribution in respect of its shares, except where no Loan Event of Default is outstanding and sufficient monies are left in the Rent and General Account after such payment to meet the liabilities of the Borrower as they fall due;
- (xi) not to carry on any business other than the ownership and management of its interests in the Property and any activities carried on in accordance with good management of the Property or to have any subsidiaries;
- (xii) to procure that more than 50 per cent. of its entire issued share capital is ultimately beneficially owned by Liberty International unless the majority Lenders have consented to a change in ownership after having been satisfied that (A) following any change in ownership CSC MetroCentre Property Management Limited will continue to manage the Property on behalf of the Borrower, or (B) the acquirer of the Borrower is a company experienced in the ownership and management of UK regional shopping centres;
- (xiii) to comply with certain customary undertakings regarding the administration of occupational leases and the appointment of managing agents in respect of the Property;
- (xiv) to maintain insurance on the Property (on terms acceptable to the Loan Facility Agent) on a full reinstatement value basis (except that such insurance will not be required to cover subsidence at the Yellow and Blue Quadrants at the Property for which the Borrower must procure insurance within 3 months of the Closing Date to the extent it is available on commercially reasonable terms in the U.K. or European insurance market) together with a further amount equal to 12.5 per cent. of the full reinstatement cost and not less than five years' loss of rent on all occupational leases together with third party liability insurance and insurance against acts of terrorism (to the extent available in the UK or European insurance markets) and to procure that the Loan Facility Agent is named as co-insured on all relevant insurance policies (except any policy in respect of third party liability).
- (xv) All insurances required under the Credit Agreement must be 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 "A" (or better) by Fitch and "A" (or better) by S&P and to the satisfaction of Moody's; or
 - (B) is recommended by the Borrower's insurance broker in a letter to the Loan Facility Agent and the Borrower to be delivered at least annually; or
 - (C) is otherwise acceptable to the Loan Facility Agent (acting reasonably);
- (xvi) not to enter into any contract in connection with refurbishment, remodelling, extension of existing space within the Property or other development of the Property (**works**) where the costs of the works exceed £30,000,000 without putting in place committed funding to meet the entire costs of those works;

- (xvii) prior to the commencement of any works the costs of which exceed £30,000,000, to satisfy the Loan Facility Agent that projected net rental income for the period of those works (as estimated by the Loan Facility Agent) as a percentage of projected finance costs for the period of those works (as estimated by the Loan Facility Agent) (**Debt Service Cover**) will be at least 105 per cent.

To satisfy the requirement of this paragraph (xvii) the Borrower may prepay the Loans in an amount not less than £1,000,000 to satisfy the Debt Service Cover or deposit an amount into a deposit account (the **Deposit Account**) so that if the interest which will accrue on that amount during the period of the works was treated as net rental income the Borrower would satisfy the Debt Service Cover or if the Debt Service Cover is within 5 per cent. of the specified figure, deposit into the Deposit Account an amount equal to 200 per cent. of the additional amount of net rental income, which is required to be received by the Borrower to ensure that it can satisfy the Debt Service Cover.

- (xviii) not to commence any works on the Property without the consent of the Loan Facility Agent (such consent not to be unreasonably withheld or delayed) where the costs of such works exceed £85,000,000 or the aggregate works relate to existing space in excess of 180,000 square feet, unless:

- (A) the works relate to replacement, restoration or reinstatement of the Property funded by insurance proceeds plus, if required, an amount not exceeding £85,000,000 in accordance with the Credit Agreement; or
- (B) the Borrower has satisfied the Loan Facility Agent that:
- I. no Loan Event of Default is outstanding or likely to arise as a result of the works;
 - II. committed funding is in place to meet the entire costs of the works and the Borrower is in compliance with the Debt Service Cover in respect of those works; and
 - III. the works once completed will not have any adverse effect on the long term value of the Property;

- (xvix) to maintain projected annual net rental income as a percentage of projected annual finance costs, each as estimated from time to time by the Loan Facility Agent, (the **Interest Cover Percentage**) up to (but excluding) the third anniversary of the Closing Date of at least 110 per cent. and thereafter of at least 120 per cent.

In the case of breach of this **paragraph (xvix)**, the Borrower will be entitled to prepay the Loans in an amount not less than £1,000,000 to ensure compliance with the specified Interest Cover Percentage or to deposit an amount into the Deposit Account so that if the interest which will accrue on that amount during the relevant twelve month period was treated as net rental income the Borrower would be in compliance with the specified Interest Cover Percentage or, if the Interest Cover Percentage at that time is within five per cent. of the specified figure, an amount equal to 200 per cent. of the additional amount of net rental income which is required to be received by the Borrower to ensure compliance with the specified Interest Cover Percentage; and

to ensure that the aggregate amount outstanding of all Loans under the Credit Agreement as a percentage of the open market value of the Property determined in accordance with the most recent valuation of the Property by the Valuer (other than in the case of **sub-paragraph (A)** below, which shall be based upon the initial Valuation (the **Loan to Value Ratio**)) does not exceed;

- (A) 90 per cent. at any time; and

- (B) 80 per cent. at any time during the period falling 18 months prior to 2 February 2015.

In the case of breach of **sub-paragraph (A)** above, the Borrower will be entitled to deposit an amount into the Deposit Account so that after calculating the aggregate amount outstanding of the Loans as reduced by that amount, the Loan to Value Ratio does not exceed 80 per cent. or to undertake such other remedy to which the majority Lenders have consented.

(i) *Events of default*

The Credit Agreement will contain usual events of default entitling the Issuer and any other Lenders (subject in certain cases, to customary grace periods and materiality thresholds) 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 arises as a result of the Loan Facility Agent not applying monies in an account);
- (ii) breach of other specified obligations under the Finance Documents;
- (iii) any representation or warranty was incorrect in any material respect at the date it was given;
- (iv) the financial indebtedness of the Borrower is not paid when due or within any applicable grace period or is accelerated or placed on demand or the security interests securing such indebtedness become enforceable;
- (v) the Borrower 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);
- (vi) the Borrower ceases or, threatens to cease, to carry on all or a substantial part of its business;
- (vii) it is or becomes unlawful for the Borrower, CSC or a Subordinated Creditor to perform any of its obligations under any Finance Documents;
- (viii) the Borrower Security Agreement, the Mortgage of Shares or the Subordination Deed is not or is alleged not to be binding or enforceable or effective to create the security intended to be created by it;
- (ix) the compulsory purchase of all or part of the Property by local authorities, unless the Loan Facility Agent determines that (A) the value of the part of the Property to be purchased is less than £1,000,000, or (B) the Borrower will still be in compliance with its Interest Cover Percentage and Loan to Value Ratio undertaking following a revaluation of the Property excluding that part of the Property to be purchased.
- (x) the destruction or material damage to the Property and in the reasonable opinion of the majority Lenders the destruction or damage will have a material adverse effect (taking into account the expected proceeds of the Insurance Policies); and
- (xi) an event occurs (other than a general reduction in the value of property in the United Kingdom or as evidenced by a new valuation of the Property) which has a material adverse effect on the Borrower's ability to comply with any of the Finance Documents.

In relation to non-payment and breaches of other obligations, the Credit Agreement will include customary grace periods, but in no instance will these grace periods be for periods longer than one Business Day or 21 days, respectively.

Upon the occurrence of a Loan Event of Default which has not been remedied within the applicable grace period, the Loan 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 Borrower's Accounts towards repayment of any amount due to any party under the Finance Documents.

4. Loan Security

The Borrower Security Agreement 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 Loan Facility Agent will hold the security created pursuant to the Borrower Security Agreement on trust for the Loan Secured Creditors.

(a) Creation of security

The Borrower Security Agreement will grant in favour of the Loan Facility Agent a first ranking charge by way of legal mortgage over the Property and any other properties belonging to the Borrower and a first fixed charge over, among other things, any plant and machinery belonging to the Borrower, the Debt Service Account and any other Borrower's Account, the benefit of any insurance policy relating to the Property, book and other debts of the Borrower, the Borrower's rights under the Hedging Arrangements and under each occupational lease in respect of the Property.

In addition, the Borrower will assign absolutely to the Loan Facility Agent by way of security its interests in all rental income, any guarantee of rental income contained in or relating to any occupational lease in respect of the Property and the Hedging Arrangements.

The Borrower will also grant a first floating charge in favour of the Loan Facility Agent over all of its assets not otherwise mortgaged, charged or assigned by way of fixed mortgage or charge or assignment under the Borrower Security Agreement.

(b) Representations and warranties

The representations and warranties to be given by the Borrower under the Borrower Security Agreement, as of the date of the Borrower Security Agreement, the date of drawdown and (subject to certain exceptions) on each Loan Interest Payment Date, will include statements to the effect that, among other things, the information provided to the solicitors preparing any Certificate of Title was true in all material respects as at the date given and did not omit any information which would make the information provided untrue or misleading in any material respect, the Borrower is the legal and beneficial owner of the Property, that there is no breach of any law or regulation that might reasonably be expected to materially affect the value of the Property nor is there any facility or right required for the necessary enjoyment and use of the Property that is liable to be terminated or curtailed and that the Property is free from any security interest (other than any security interests created pursuant to the Borrower Security Agreement) and is in good and substantial repair and complies in all material respects with the provisions of any applicable environmental laws.

The representations and warranties referred to above will be qualified (to the extent applicable) by the Certificate of Title in relation to the Property.

(c) *Undertakings*

The Borrower will undertake under the Borrower Security Agreement, 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 Borrower Security Agreement or permitted under the Credit Agreement) or sell, transfer, 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 Borrower Security Agreement, to comply with all provisions of any applicable environmental laws, to give notice of the security interests granted under the Borrower Security Agreement to the Account Bank, the Hedge Counterparties and, following a Loan Event of Default, each occupational tenant of the Property and to procure and keep the Property in good and substantial repair.

(d) *Enforceability*

The security to be created by the Borrower Security Agreement will only be enforceable once a Loan Event of Default has occurred. The charge will confer upon the Loan Facility Agent and any receiver appointed by it a wide range of powers in connection with the sale or disposal of the Property and its 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 Borrower Security Agreement, the Loans will be secured by various further related security.

The Mortgage of Shares will create a first fixed equitable charge over all shares in the Borrower and all associated rights. Under the Mortgage of Shares, CSC will give the usual representations as to, among other things, its incorporation and due authority and also undertake in the usual manner, among other things, not to further charge, sell, transfer or otherwise dispose of the Borrower's shares.

The obligations of the Borrower to the Subordinated Creditors will be fully subordinated to all amounts due to the Loan Secured Creditors under the Credit Agreement pursuant to the Subordination Deed. Under the Subordination Deed, the Borrower 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. The latter undertaking will be qualified to the extent that the Borrower will be permitted to make payments to the Subordinated Creditors from the Rent and General Account provided that no Loan Event of Default is outstanding and after such payment there will be sufficient monies to meet the liabilities of the Borrower as they fall due. Each Subordinated Creditor will give the usual undertakings, including, in particular, that it will not take any steps leading to the administration, winding up or dissolution of the Borrower.

CSC MetroCentre Property Management Limited will be appointed as managing agent of the Property and will undertake pursuant to the Duty of Care Agreement to ensure that all rental income from the Property is paid into either (i) the Rent and General Account or (ii) into a separate account on trust for the Borrower for which the net amount (after deductions of service charge amounts and value added tax) must be transferred into the Rent and General Account (without set-off or counterclaim).

5. Borrower's Accounts

The Credit Agreement will require the Borrower to establish bank accounts into which rental income and other monies received by the Borrower will be required to be paid. CSC MetroCentre Property Management Limited in its capacity as the Managing Agent will ensure that all rent,

service charge payments and value added tax in respect of the Property is paid into the appropriate Borrower's Account, being either the Rental and General Account, the Service Charge Account or the VAT Account (each as described more fully below). Any rental income received by the Managing Agent will be held in a separate account on trust for the Borrower until transferred to the Borrower's possession.

Each Borrower's Account will be expressed to be the subject of a first fixed charge in favour of the Loan Facility Agent on trust for the benefit of the Loan Secured Creditors. Following a Loan Event of Default, the Loan Facility Agent will be able to assume signing rights and control over such accounts.

Debt Service Account

Under the terms of the Credit Agreement, the Borrower will, prior to each Loan Interest Payment Date, be obliged to transfer sufficient monies to the Debt Service Account to pay the amounts referred to at **paragraphs (i) to (v)** below which are due and payable on that Loan Interest Payment Date and, to the extent that following the transfer of amounts in respect of **paragraphs (i) to (v)** below there are monies remaining, to transfer sufficient amounts to pay the amounts referred to at **paragraphs (vi) to (ix)** below which are due and payable on that Loan Interest Payment Date.

The Borrower will be obliged to ensure that the amounts referred to above are standing to the credit of the Debt Service Account no later than two Business Days prior to any Loan Interest Payment Date.

The Loan 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 to apply amounts standing to the credit of the Debt Service Account in the following order (the **Loan Waterfall**):

- (i) **first**, payment pro rata of any unpaid costs and expenses of the Loan Facility Agent;
- (ii) **secondly**, in or towards payment pro rata of any Facility Fee due but unpaid to the Issuer;
- (iii) **thirdly**, in or towards payment pro rata of the outstanding amount of any Hedging Loan;
- (iv) **fourthly**, in or towards payment pro rata of any periodic payments (not being payments as a result of termination or closing out) due but unpaid to the Hedge Counterparties under the Hedging Arrangements;
- (v) **fifthly**, in or towards payment pro rata of any accrued interest due but unpaid in respect of the Loans in the following order:
 - (A) **first**, accrued interest due but unpaid in respect of the Tranche A Loan;
 - (B) **secondly**, accrued interest due but unpaid in respect of the Tranche B Loan;
 - (C) **thirdly**, accrued interest due but unpaid in respect of the Tranche C Loan;
 - (D) **fourthly**, accrued interest due but unpaid in respect of the Tranche D Loan;
- (vi) **sixthly**, in or towards payment pro rata of:
 - (A) any principal due but unpaid under the Credit Agreement in the following order:
 - I. **first**, in or towards payment pro rata of any principal amount due but unpaid in respect of the Tranche A Loan;
 - II. **secondly**, in or towards payment pro rata of any principal amount due but unpaid in respect of the Tranche B Loan;

- III. **thirdly**, in or towards payment pro rata of any principal amount due but unpaid in respect of the Tranche C Loan;
 - IV. **fourthly**, in or towards payment pro rata of any principal amount due but unpaid in respect of the Tranche D Loan; and
- (B) payments (not being payments referred to in subparagraph (vii) below) as a result of termination or closing out due but unpaid to the Hedge Counterparties under the Hedging Arrangements,
- (vii) **seventhly**, 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,
- due but unpaid to those Hedge Counterparties under the Hedging Arrangements;
- (viii) **eighthly**, in or towards payment pro rata of any due but unpaid Securitisation Fee due to the Issuer;
- (ix) **ninthly**, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents; and
- (x) **tenthly**, payment of any surplus into the Rent and General Account.

The Loan Facility Agent will only be obliged to make a withdrawal from the Debt Service Account, or to withdraw an amount from the Debt Service Account that should have been paid into another Borrower Account and pay that amount to that other Borrower Account if no Loan Event of Default is outstanding.

At any time when a Loan Event of Default is outstanding, the Loan Facility Agent may authorise withdrawals from, and apply amounts standing to the credit of, the Debt Service Account in or towards payment of any amount due but unpaid under the Finance Documents.

Service Charge Account

The Borrower will be required to transfer any amounts (not including any amounts representing value added tax) in respect of insurance costs and service charges received by it (or the Managing Agent) under an occupational lease in respect of the Property into the Service Charge Account. Under the terms of the Credit Agreement, the Borrower or, following a Loan Event of Default, the Loan 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.

VAT Account

The Borrower will be required to transfer any amounts representing value added tax received by it (or the Managing Agent) under an occupational lease in respect of the Property into the VAT Account. Under the terms of the Credit Agreement, the Borrower will be permitted to withdraw any amounts from the VAT Account to meet its obligations to H M Customs & Excise with respect to value added tax and having satisfied all its liabilities to H M Customs and Excise at that time, to pay value added tax on any taxable supplies made to the Borrower. Following a Loan Event of Default, the Loan Facility Agent will be permitted to apply amounts standing to the credit of the VAT Account to meet the Borrower's obligations under the Finance Documents.

Rent and General Account

The Borrower will retain any amounts received by it (or the Managing Agent) (other than any amounts required under the Credit Agreement to be transferred into any other Borrower's Account) in the Rent and General Account. Subject to any restrictions in the Subordination Deed and prior to a Loan Event of Default, the Borrower will be permitted to withdraw any amount from the Rent and General Account and will be required to withdraw amounts from the Rent and General Account to pay rent due under a Head Lease. If the Borrower has made a withdrawal from the Rent and General Account since the last Loan Interest Payment Date and that withdrawal would mean that the Borrower would have insufficient funds to meet its obligations under **paragraphs (vi) to (ix)** of the Loan Waterfall on the next Loan Interest Payment Date the Borrower will be obliged to pay an amount back to the Rent and General Account prior to the next Loan Interest Payment Date to ensure that it has sufficient funds to meet those obligations on that Loan Interest Payment Date. (See "*Interest and amortisation payments/repayments*" above). Following a Loan Event of Default, the Loan Facility Agent will be permitted to apply amounts standing to the credit of the Rent and General Account to meet the Borrower's obligations under the Finance Documents and must, following notice from the Borrower, withdraw amounts from the Rent and General Account to pay rent due under a Headlease.

Other Borrower's Accounts

The Borrower may deposit sufficient amounts into the Deposit Account to enable it to meet its obligations under the Credit Agreement with respect to the Interest Cover Percentage, Debt Service Cover and the Loan to Value Ratio undertakings. Amounts deposited into the Deposit Account to meet such obligations (together with any interest) may be transferred to the Rent and General Account if, without taking into account any amount deposited into the Deposit Account, (i) the Borrower has complied with its obligations with respect to the Interest Cover Percentage for the two immediately preceding Loan Interest Payment Dates, and (ii) the Loan to Value Ratio is less than 75 per cent. Amounts deposited into the Deposit Account in connection with the Debt Service Cover may be transferred to the Rent and General Account once the works in connection with which such monies were deposited have been completed. The Loan Facility Agent will have sole signing rights over the Deposit Account.

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 Borrower 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 Loan Facility Agent shall pay to the counterparty in respect of such Hedging Arrangement an amount representing any excess collateral standing to the credit of the CSA Account in priority to any other Loan Secured Creditor. The Loan Facility Agent will have sole signing rights over the CSA Account.

The Borrower will also open and maintain a payments account, a petty cash account and one or more tenant deposit accounts to be used in connection with the day-to-day management of the Property and the occupational leases in respect thereof.

6. Issuer Accounts

Issuer Transaction Account

Pursuant to a bank account agreement dated on or before the Closing Date (the **Bank Agreement**), the 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 Loan Facility Agent to transfer all amounts of principal, premium (if any), fees 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.

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 by Fitch, at least a “P-1” rating by Moody’s and at least an “A-1+” rating 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 with the agreement of the Liquidity Bank until the Final Maturity Date. 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).

Available Issuer Income will comprise:

- (a) all monies (other than principal and prepayment fees) 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
- (b) 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 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 (a) to (k)** of the Pre-Enforcement Priority of Payments or **paragraphs (a) to (j)** of the Post-Enforcement Pre-Acceleration Priority of Payments (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 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 £40 million (the **Liquidity Facility Commitment**). The Liquidity Facility Commitment will automatically reduce following:

- (a) partial redemption of the Notes in accordance with **Condition 6.3** and the payment of Scheduled Amortisation Amounts in accordance with **Condition 6.1**.
- (b) the occurrence of an Appraisal Reduction (as defined below), in an amount proportionate to the Appraisal Reduction; or
- (c) the receipt of confirmation from the Rating Agencies that the proposed reduction in the amount of the Liquidity Facility Commitment will not adversely affect the then current ratings of the Notes.

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

Appraisal Reductions

Not later than the earliest to occur of:

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

and, in each case, provided that such Loan Event of Default is continuing, the Servicer is required, under the terms of the Servicing Agreement, to obtain a valuation in respect of the Property (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 Property 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 Property 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.

Liquidity Stand-by Drawings

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

- (a) the rating of the short-term unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Bank falls below the Requisite Rating; or
- (b) 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.

If the Liquidity Bank refuses to renew the Liquidity Facility, it shall at its own expense and if so requested by or on behalf of the Issuer, replace or transfer the facility to a new Liquidity Bank.

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 will be 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.

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 long-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being a bank or licensed EU credit institution) are rated at least "A1" by Moody's and the short-term unsecured, unguaranteed and unsubordinated debt obligations of such entity are rated at least "F1" by Fitch, at least "P-1" by Moody's and at least "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 the proposed investments would not adversely affect the then current ratings of the Notes.

8. Cashflows

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 or the Account Bank), including 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.

Payments Paid out of the Issuer Transaction Account Pre-Enforcement of the Issuer Security

Prior to the enforcement of the Issuer Security, on each Interest Payment Date, Available Issuer Income together with receipts of scheduled principal and premium (if any) 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:

- (a) 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 Trust Deed, the Deed of Charge and/or any Transaction Document to which the Trustee is a party;

- (b) 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;
- (c) 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 (q)** below);
- (d) 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:
 - (i) the Corporate Services Provider under the Corporate Services Agreement; and
 - (ii) the Account Bank under the Bank Agreement;
- (e) 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;
- (f) 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);
- (g) 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;
- (h) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class A Notes;
- (i) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class B Notes;
- (j) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class C Notes;
- (k) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class D Notes;
- (l) 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;
- (m) 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;
- (n) 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;
- (o) 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;
- (p) in or towards payments of any Liquidity Subordinated Amounts payable to the Liquidity Bank;
- (q) 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; and
- (r) any surplus to the Issuer.

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 (a)** 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 Trust Deed, the Deed of Charge and/or any Transaction Document to which the Trustee is a party, **paragraph (g)** will be deleted (and the remaining paragraphs will be renumbered accordingly) and any surplus payable to the Issuer under **paragraph (r)** (above) will be retained by the Trustee, or any receiver or appointee (as applicable) (the **Post-Enforcement Pre-Acceleration Priority of Payments**).

Payments paid out of the Issuer Transaction Account Post-Acceleration 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:

- (a) 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 Trust Deed, the Deed of Charge and/or any Transaction Document to which the Trustee is a party;
- (b) 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;
- (c) 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 (p)** below);
- (d) in or towards satisfaction, *pro rata* according to the amounts then due, of any amounts due and payable by the Issuer to:
 - (i) the Corporate Services Provider under the Corporate Services Agreement; and
 - (ii) the Account Bank under the Bank Agreement;
- (e) in or towards satisfaction of any amounts due and payable by the Issuer to the Borrower in respect of any Hedging Loans;
- (f) 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);
- (g) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class A Notes;

- (h) 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;
- (i) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class B Notes;
- (j) 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;
- (k) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class C Notes;
- (l) 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;
- (m) in or towards payment of interest due and interest overdue (and all interest due on such overdue interest) on the Class D Notes;
- (n) 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;
- (o) in or towards payment of any Liquidity Subordinated Amounts;
- (p) 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
- (q) any surplus to the Issuer or other persons entitled thereto.

All other receipts in respect of or relating to the Loans 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 in respect of 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 a Loan 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 (not taking into account any extensions to its maturity permitted under the Servicing Agreement); or
- (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) the Borrower 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 could materially impair the use or the marketability of the Property 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 **specialty 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 the Borrower;
- (e) in the Servicer's opinion a breach of a material covenant (as defined in **paragraph (iii)** above) under the Credit Agreement occurring or, to the knowledge of the Servicer, being likely to occur, and in the Servicer's opinion such breach is not likely to be cured within 30 days of its occurrence;
- (f) the Borrower notifying the Loan 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;
- (g) any other Loan Event of Default occurring that, in the good faith and reasonable judgement of the Servicer, materially impairs or could materially impair the use or the marketability of the Property or the value thereof as security for the Loans; or
- (h) a payment is deferred under the Credit Agreement.

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 Loan 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 the Borrower 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 Borrower and the nature and value of the Property, 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 Loan Facility Agent as to how to enforce the security held by the Loan 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 Loan Facility Agent or the Borrower, 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 the Borrower 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 2 February 2015 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 adversely affected by such extension;
- (e) the Loan Security will continue to include a first ranking legal and beneficial mortgage on the interests in the Property;
- (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 adversely affected; 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 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 Loan Facility Agent or the Borrower 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 Loan 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. The purchase price to be paid by the Servicer or the Special Servicer, as the case may be, to the Issuer and/or the Trustee (as appropriate) will be an amount equal to the then principal balance of the Loans plus accrued but unpaid interest on the Loans less an amount equal to any principal that has become due and payable pursuant to the Credit Agreement, but which has not been paid which has consequently given rise to a principal deficiency in respect of the Notes. No such notice of the Special Servicer's intention to purchase the Loans shall be valid if the Servicer gives the Issuer, the Loan Facility Agent and the Trustee written notice of its intention to purchase the Loans provided that such notice from the Servicer is delivered within 10 days of the date on which the Special Servicer's notice was delivered.

Calculation of amounts and payments

On each **Calculation Date** (being the second Business Day 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 Securitisation Fee and Additional Fee (if any) 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 Available Issuer Income and receipts of scheduled principal 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 (a) to (k)** of the Pre-Enforcement Priority of Payments or **paragraphs (a) to (j)** 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 Loan 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 Property 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 Loan 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 Loan 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 Loan 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 Property is 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 Loan 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) equal to the Facility Fee for that date less the Defined Expenses for that date (as set out below) 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.

The **Defined Expenses** for an Interest Payment Date will equal the aggregate (without double counting) of:

- (a) any Priority Amounts; and
- (b) (as applicable) the amounts required to pay or provide for the items set out in **paragraphs**:
 - (i) **(a) to (g) and (p) to (q)** of the Pre-Enforcement Priority of Payments;
 - (ii) **(a) to (f) and (o) to (p)** of the Post-Enforcement Pre-Acceleration Priority of Payments;
 - (iii) **(a) to (f) and (o) to (p)** of the Post-Enforcement Priority of Payments;

excluding, in each case, (as applicable) the Servicing Fee, any corporation tax payable by the Issuer and fees met by the Borrower directly on the Issuer's behalf and in each case which are due and payable by the Issuer on that Interest Payment Date or which will become due and payable by the Issuer in the Interest Period commencing on that Interest Payment Date.

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 Property is 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 (b) and (h)** 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 1.00 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 Property 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 1.00 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 10 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).

Controlling Party means, at any time:

- (a) 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

- (b) 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,

excluding, in each case, any Class of Notes, the entire Principal Amount Outstanding of which is held by, or for the benefit of or on behalf of the Borrower and/or any one or more of its Affiliates (the **Excluded Class**).

In the event that the Excluded Class would be (but for the preceding paragraph) determined to be the Controlling Party, the Class of Notes ranking immediately in priority in point of security to the Excluded Class and satisfying the test above will be the Controlling Party.

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 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 Loan 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 England and Wales 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 appointment will not adversely affect the then current ratings (if any) of any class of the Notes 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 10 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 10 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 60 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.

ACCOUNT BANK ARRANGEMENTS

Account Bank and the Issuer Accounts

Pursuant to the Bank Agreement, the Account Bank will open and maintain the Issuer Transaction Account in the name of the Issuer. The 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 Account Bank

The Bank Agreement will require that the Account Bank be, except in certain limited circumstances, a bank which is an Authorised Entity. If it ceases to be an Authorised Entity, the 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 Account Bank to another bank which is an Authorised Entity. The 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, however, 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 ACCOUNT BANK

The Royal Bank of Scotland plc will be appointed to act as Liquidity Bank and Account Bank pursuant to the terms of the Liquidity Facility Agreement and the Bank Agreement respectively.

The Royal Bank of Scotland Group plc

The Royal Bank of Scotland Group plc (the **Group**) is a diversified financial services group engaged in a wide range of banking, financial or finance related activities in the United Kingdom and internationally. The Group's operations are principally centred in the United Kingdom.

The Royal Bank of Scotland plc

The Group's principal operating subsidiary is The Royal Bank of Scotland plc (**RBS**). As of 31 January 2003, the entire issued ordinary share capital of National Westminster Bank Plc (**Natwest**) was transferred from the Group to RBS. Both RBS and Natwest are major UK clearing banks engaging principally in providing a comprehensive range of banking, insurance and other financial services and each controls, directs and promotes the operations of various subsidiary companies.

RBS was created by the merger in 1985 of the former The Royal Bank of Scotland plc, the largest of the Scottish clearing banks, and Williams & Glyn's Bank plc. At 31 December 2003 RBS had over 600 retail branches in the UK.

Natwest was incorporated in England in 1968 and was formed from a merger of National Provincial Bank Limited and Westminster Bank Limited, which had themselves been formed through a series of mergers involving banks with origins dating back as far as the seventeenth century. Natwest was acquired by the Group on 6 March 2000. At 31 December 2003, Natwest had over 1,600 retail branches in the United Kingdom.

As of 30 June 2004, the Group had total assets of £519 billion and total deposits of £338 billion. Shareholders' funds at 30 June 2004 were £32,408 million.

The short-term, unsecured and unguaranteed debt obligations of RBS are currently rated A-1+ by S&P, P-1 by Moody's and F1+ by Fitch. The long term, unsecured and unguaranteed debt obligations of RBS are currently rated AA by S&P, Aa1 by Moody's and AA+ by Fitch.

In its capacity as Account Bank, RBS will be acting through its branch at London Corporate Service Centre, PO Box 39552, 3rd Floor, 2½ Devonshire Street, London EC2M 4XJ. In its capacity as Liquidity Bank, RBS will be acting through its office at 135 Bishopsgate, London EC2M 3UR.

The information contained herein with respect to RBS and the Group has been obtained from RBS. Delivery of this Offering Circular shall not create any implication that there has been no change in the affairs of RBS or the Group 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 Loans 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 2 February 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:

Interest Payment Date	Class A Notes (per cent.)	Class B Notes (per cent.)	Class C Notes (per cent.)	Class D Notes (per cent.)
May 2005	99.7	100.0	100.0	100.0
August 2005	99.3	100.0	100.0	100.0
November 2005	99.0	100.0	100.0	100.0
February 2006	98.6	100.0	100.0	100.0
May 2006	98.2	100.0	100.0	100.0
August 2006	97.8	100.0	100.0	100.0
November 2006	97.4	100.0	100.0	100.0
February 2007	97.0	100.0	100.0	100.0
May 2007	96.6	100.0	100.0	100.0
August 2007	96.1	100.0	100.0	100.0
November 2007	95.6	100.0	100.0	100.0
February 2008	95.2	100.0	100.0	100.0
May 2008	94.6	100.0	100.0	100.0
August 2008	94.1	100.0	100.0	100.0
November 2008	93.6	100.0	100.0	100.0
February 2009	93.1	100.0	100.0	100.0
May 2009	92.4	100.0	100.0	100.0
August 2009	91.8	100.0	100.0	100.0
November 2009	91.1	100.0	100.0	100.0
February 2010	90.5	100.0	100.0	100.0
May 2010	89.8	100.0	100.0	100.0
August 2010	89.1	100.0	100.0	100.0
November 2010	88.4	100.0	100.0	100.0
February 2011	87.7	100.0	100.0	100.0
May 2011	87.0	100.0	100.0	100.0
August 2011	86.3	100.0	100.0	100.0
November 2011	85.5	100.0	100.0	100.0
February 2012	84.8	100.0	100.0	100.0
May 2012	84.0	100.0	100.0	100.0
August 2012	83.2	100.0	100.0	100.0
November 2012	82.4	100.0	100.0	100.0
February 2013	81.7	100.0	100.0	100.0
May 2013	80.8	100.0	100.0	100.0
August 2013	80.0	100.0	100.0	100.0
November 2013	79.2	100.0	100.0	100.0

Interest Payment Date	Class A Notes (per cent.)	Class B Notes (per cent.)	Class C Notes (per cent.)	Class D Notes (per cent.)
February 2014	78.4	100.0	100.0	100.0
May 2014	77.5	100.0	100.0	100.0
August 2014	76.7	100.0	100.0	100.0
November 2014	75.8	100.0	100.0	100.0
February 2015	–	–	–	–
Weighted Average Life	9.0	10.0	10.0	10.0
First Principal Payment Date	May 2005	February 2015	February 2015	February 2015
Last Principal Payment Date	February 2015	February 2015	February 2015	February 2015

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 £600,000,000, 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 which (subject to modification) will be endorsed on each Note in definitive form (if issued):

The issue of the £440,000,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2017 (the **Class A Notes**), the £52,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2017 (the **Class B Notes**), the £40,000,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2017 (the **Class C Notes**) and the £68,000,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2017 (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 (MetroCentre) plc (the **Issuer**) was authorised by a resolution of the Board of Directors of the Issuer passed on 27 January 2005.

The Notes are constituted by a trust deed (such trust deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 2 February 2005 (the **Closing Date**) made between the Issuer and HSBC Trustee (C.I.) Limited (the **Trustee**, which expression includes its successors as trustee or any further or other trustee(s) under the Trust Deed as trustee(s) 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 CSC MetroCentre Limited (the **Borrower**).

References herein to the Notes shall include reference 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, HSBC Bank plc 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) and HSBC Institutional Trust Services (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, 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 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 Borrower Security Agreement, the Share Trust Deed, the Nominee Declaration of Trust, 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 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, as applicable, 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 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:
 - (i) the Class A Notes; or
 - (ii) if no Class A Notes are then outstanding (as defined in the 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 outstanding).

Copies of the Transaction Documents to which the Trustee is a party 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 depositary (the **Common Depositary**) 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 Depositary 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 of each Temporary Global Note for the relevant Permanent Global Note such Permanent Global Note will remain deposited with the Common Depositary.

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 may (to the fullest extent permitted by applicable laws) deem and treat each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (an **Accountholder**) as the holder of such principal amount of such Notes, in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the principal amount of such Notes or interest in such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error (including for the purposes of any quorum requirements of, or the right to demand a poll at, meetings of the Noteholders), other than for the purposes of payment of principal and interest on such Global Notes, the right to which shall be vested, as against the Issuer, the Paying Agents and the Trustee, solely in the bearer of the relevant Global Note in accordance with and subject to the terms of the Trust Deed. The expressions **Noteholders** and **holder of Notes** and related expressions shall be construed accordingly.
- (d) In determining whether a particular person is entitled to a particular principal amount of Notes as aforesaid, 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 in exchange.
- (b) Thereupon, the whole of such Permanent Global Note will be exchanged for Definitive Notes (in the form provided in **paragraph (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 (**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 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 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 the 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 in point of security and as to right of payment of principal and interest. 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 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 and/or the interests of the Class C Noteholders and/or the Class D Noteholders, it shall, subject to (1) above, have regard only to the interests of the Class B Noteholders and (3) (for so long as there are any Class C Notes outstanding) there is a conflict between the interests of the Class C Noteholders, and the interests of the Class D Noteholders, 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, 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 whilst any amount remains owing to any Noteholder.
- (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 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; 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 Account Bank, the Note 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 Security or any part thereof unless (i) a sufficient amount would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the 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 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 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, charge, sub-charge, assignment, 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), (ii), (iii) and (iv) above and are binding on the Issuer (or any successor thereto); or
 - (vi) the then current ratings of the Notes are unaffected 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 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 adversely affected.

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 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 thirty 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 (as defined below) 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.

Controlling Party means, at any time:

- (a) 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
- (b) 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,

excluding, in each case, any Class of Notes the entire Principal Amount Outstanding of which is held by, or for the benefit of or on behalf of the Borrower and/or any one or more of its Affiliates (the **Excluded Class**).

In the event that the Excluded Class would be (but for the preceding paragraph) determined to be the Controlling Party, the Class of Notes ranking immediately in priority in point of security to the Excluded Class and satisfying the test above will be the Controlling Party.

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 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 2 February, 2 May, 2 August and 2 November in each year or, if any such day is not a Business Day (as defined below), the next following day that is a Business Day) (each, an **Interest Payment Date**). The first such payment is due on the Interest Payment Date falling in May 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 0.20 per cent. per annum;
 - (ii) in the case of the Class B Notes, LIBOR (as so determined) plus a margin of 0.35 per cent. per annum;
 - (iii) in the case of the Class C Notes, LIBOR (as so determined) plus a margin of 0.50 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 each 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 and Dublin.

- (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 in the London inter-bank market which appears on LIBOR 01 Reuters (or (x) such other page as may replace LIBOR 01 Reuters on that service for the purpose of displaying such information or (y) if that service ceases to display such information, Moneyline Telerate Screen No. 3750) (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, the arithmetic mean (rounded to five 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 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 three month 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 or quotations 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 banks as so agreed. If no such bank or banks is or are so agreed or such bank or banks as so agreed does not or do not provide such a quotation or quotations, then the rate for the relevant Interest Period shall be the arithmetic mean (rounded to five decimal places, 0.000005 being rounded upwards) of the rates quoted by major banks in London, selected by the Agent Bank, at approximately 11.00 a.m. (London time) on the Closing Date or the relevant Interest Payment 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 Rates 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 and, for so long as the Notes are listed on the Irish Stock Exchange Limited (the **Stock Exchange**), the 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 the immediately 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 and/or the Class C Notes and/or the Class D Notes (as the case may be) and on the same basis as interest on the Class B Notes and/or the Class C Notes and/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 and/or the Class C Notes and/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 and/or the Class C Noteholders and/or the Class D Noteholders 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, at which time all Deferred Interest and accrued interest thereon shall become due and payable.

6. REDEMPTION AND POST ENFORCEMENT CALL OPTION

6.1 *Scheduled Amortisation Amounts*

- (a) Subject as provided in **Conditions 6.2** and **6.3** prior to the service of an Acceleration Notice, the Issuer shall apply on each Interest Payment Date in redemption of each Note of the relevant class (except in respect to Notes cancelled pursuant to **Condition 6.7**) the amount (each, a **Scheduled Amortisation Amount**) set out opposite each Interest Payment Date below on such date, subject to **paragraph (c)** below.

The figures set out below show the Scheduled Amortisation Amount per £50,000 denomination of the Notes of each class.

Interest Payment Date of Notes	Class A Notes Scheduled Amortisation Amounts £	Class B Notes Scheduled Amortisation Amounts £	Class C Notes Scheduled Amortisation Amounts £	Class D Notes Scheduled Amortisation Amounts £
May 2005	170.45	—	—	—
August 2005	170.03	—	—	—
November 2005	169.60	—	—	—
February 2006	169.18	—	—	—
May 2006	202.51	—	—	—
August 2006	201.90	—	—	—
November 2006	201.29	—	—	—
February 2007	200.69	—	—	—
May 2007	233.44	—	—	—
August 2007	232.62	—	—	—
November 2007	231.81	—	—	—
February 2008	230.99	—	—	—
May 2008	263.07	—	—	—
August 2008	262.02	—	—	—
November 2008	260.97	—	—	—
February 2009	259.92	—	—	—
May 2009	323.61	—	—	—
August 2009	321.99	—	—	—
November 2009	320.38	—	—	—
February 2010	318.78	—	—	—
May 2010	348.90	—	—	—
August 2010	346.98	—	—	—
November 2010	345.07	—	—	—
February 2011	343.18	—	—	—
May 2011	372.31	—	—	—
August 2011	370.08	—	—	—
November 2011	367.86	—	—	—
February 2012	365.65	—	—	—
May 2012	393.75	—	—	—
August 2012	391.19	—	—	—
November 2012	388.65	—	—	—
February 2013	386.12	—	—	—
May 2013	413.12	—	—	—
August 2013	410.23	—	—	—
November 2013	407.35	—	—	—
February 2014	404.50	—	—	—
May 2014	430.36	—	—	—
August 2014	427.13	—	—	—
November 2014	423.93	—	—	—
February 2015	37,918.38	50,000.00	50,000.00	50,000.00

In the event of a partial redemption of the relevant Class of Note pursuant to this **Condition 6**, other than pursuant to this **Condition 6.1(a)**, then each Scheduled Amortisation Amount pertaining to each relevant Class of Note which falls to be paid after the date of the partial redemption so made shall be reduced by a proportion of such Scheduled Amortisation Amount which is the same proportion as the partial redemption so made bears to the Principal Amount Outstanding of the relevant Class of Notes immediately prior to such partial redemption being made but after deducting

any redemption made in accordance with this **Condition 6.1(a)** on the date such partial redemption is made.

- (b) If the Issuer makes a partial redemption of the Notes under **Condition 6.3(a)**, then the funds available for any such redemption will be applied to redeem the Class of Note corresponding to the Loan tranche prepaid. If the Issuer makes a redemption of Notes under **Condition 6.2, 6.3(b), 6.3(c), 6.3(d), 6.3(e) or 6.3(f)**, then the funds available for any such redemption will be applied as follows: first, in redemption of the Class A Notes until the Principal Amount Outstanding of the Class A Notes is reduced to zero; then, in redemption of the Class B Notes until the Principal Amount Outstanding of the Class B Notes is reduced to zero; then, in redemption of the Class C Notes until the Principal Amount Outstanding of the Class C Notes is reduced to zero; and finally, in redemption of the Class D Notes until the Principal Amount Outstanding of the Class D Notes is reduced to zero.
- (c) Each Scheduled Amortisation Amount 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 set out in **Condition 6.1 (a)**, the Issuer has insufficient funds to make payment in full of any Scheduled Amortisation Amount after having paid or provided for items of higher priority then the Issuer shall be entitled to defer to the next Interest Payment Date the payment of that Scheduled Amortisation Amount (or any part thereof).
- (d) Any Scheduled Amortisation Amount (including any deferred Scheduled Amortisation Amount arising on the immediately preceding Interest Payment Date) which is not due and payable on the Interest Payment Date set out in **Condition 6.1 (a)** as a result of the provisions of **Condition 6.1 (c)** above is the **Deferred Scheduled Amortisation Amount** arising on any such Interest Payment Date. Any Deferred Scheduled Amortisation Amount is payable on the next Interest Payment Date unless and to the extent that **Condition 6.1 (c)** above applies.
- (e) As soon as practicable after becoming aware that all or any part of a Scheduled Amortisation Amount will be deferred or that a Deferred Scheduled Amortisation Amount will be paid in accordance with this **Condition 6.1** the Issuer will give notice thereof to the Noteholders of the relevant class. Any deferral of a Scheduled Amortisation Amount in accordance with this **Condition 6.1** will not constitute a Note Event of Default. The provisions of **Condition 6.1(c)** shall cease to apply on the Final Maturity Date, at which time all Deferred Scheduled Amortisation Amounts shall become due and payable.

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, 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 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; then the Issuer shall inform the Trustee accordingly and shall, in order to avoid the event described, use its reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction approved in writing by the Trustee as principal debtor under the Notes in accordance with **Condition 12(c)**.
- (b) If the Issuer is unable to arrange such a substitution which would have the result of avoiding the event described above, then the Issuer shall, having given not more than

60 nor less than 30 days' notice (or such shorter notice period as the Trustee may agree) 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 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 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 using reasonable endeavours to arrange a substitution as aforesaid and that the Issuer will have the funds referred to above; and the Trustee shall accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above and it shall be conclusive and binding on the Noteholders.

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 Notes equal to the principal amount of the Loans being prepaid at a price equal to the Relevant Percentage of 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 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 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.

Relevant Percentage means 101 per cent. in respect of any redemption before the first anniversary of the Closing Date; and thereafter 100.5 per cent. in respect of any redemption on or after the first anniversary of the Closing Date but on or before the second anniversary of the Closing Date; and thereafter 100 per cent.

- (b) In connection with a mandatory redemption of the Notes upon notice of the Borrower's intention to prepay all or part of the Loans in accordance with **Condition 6.3(a)** above, the Issuer will redeem the specified Principal Amount Outstanding at par value without payment of any Relevant Percentage in circumstances in which no prepayment fees are payable by the Borrower under the Credit Agreement as a result of a prepayment of the Loans arising because of an increase in lender's costs arising out of a change of law or regulation which have been passed onto the Borrower, the Borrower being obliged to gross up interest payable on the Loans, illegality or a failure of the Loan Facility Agent and the majority lenders to consent to a change in shareholding of the Borrower as provided for in the Credit Agreement.
- (c) 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.

- (d) 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 the Relevant Percentage of 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 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 the satisfaction of such condition precedent and it shall be conclusive and binding on the Noteholders.
- (e) The Issuer will 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 February 2015, 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.
- (f) 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 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.

6.4 Redemption on Maturity

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 which falls in February 2017 (the **Final Maturity Date**).

6.5 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.

6.6 Purchase

The Issuer shall not purchase Notes.

6.7 Cancellation

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

6.8 Post Enforcement Call Option

All of the Noteholders will, at the request of Opera Finance (MetroCentre) Parent Limited, sell all (but not some only) of their holdings of Class A Notes, Class B Notes, Class C Notes and Class D Notes to Opera Finance (MetroCentre) Parent Limited, pursuant to the option granted to it by the Trustee (as agent for the Class A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders to acquire all (but not some only) of the Class A Notes, 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 A Notes, Class B Notes, Class C Notes and Class D Notes and *pro rata* payment of all claims ranking in equal priority to the Class A Notes, 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 A Notes, Class B Notes, Class C Notes and Class D Notes.

Furthermore, each of the Class A Noteholders, 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 Class A Noteholders, 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 A Noteholder, Class B Noteholder, Class C Noteholder and Class D Noteholder, by subscribing for or purchasing the relevant Class A Notes, 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 A Noteholders, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders in accordance with **Condition 15** (Notice to Noteholders). 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) For so long as the Notes are in global form, each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as being entitled to a particular principal amount of Notes will be entitled to receive any payment so made in respect of those Notes in accordance with the rules and procedures of Euroclear and/or, as the case may be, Clearstream, Luxembourg. 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 shall have any claim directly against the Issuer or the Trustee in respect of payments due on such Note whilst such Note is 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 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 (as defined below) 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** and deferral of principal in accordance with **Condition 6.1(c)** shall not constitute a default in the payment of such interest and/or principal 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 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 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 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 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 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 the presentation of an administration petition), or an administration order being granted or an administrative receiver or other receiver (including documents being filed with the Court for the appointment of an administrator or notice of intention to appoint an administrator being served), liquidator or other similar official being appointed in relation to the Issuer or in relation to the whole or any 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 or execution 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 or process (as the case may be) 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 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, 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 TRUSTEES DISCRETIONS

- (a) The 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 or Classes 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 or Classes then outstanding or, at any adjourned meeting, one or more persons being or representing the Noteholders of the relevant Class or Classes whatever the aggregate Principal Amount Outstanding of the Notes of the relevant Class or Classes so held or represented except that, at any meeting the business of which includes the sanctioning of a Basic Terms Modification 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 or Classes 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 (as defined below), which shall not take effect unless it shall have been sanctioned by an Extraordinary Resolution 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) Without prejudice to **paragraph (e)** below, 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 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 C Noteholders and the Class D Noteholders.
- (f) Without prejudice to **paragraph (g)** below, 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 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 **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 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) Without prejudice to **paragraph (i)** below, 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 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 **paragraph (h)**, shall be binding on all Class A Noteholders, Class B Noteholders, Class C Noteholders and Class D Noteholders.
- (j) As used in these Conditions and the 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 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 for the purposes of **Conditions 4.3** and **4.4**, any Notes held by, for the benefit of or on behalf of the Borrower and/or any one or more of its Affiliates will not be included in the quorum for voting purposes);

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); 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 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 Trust Deed (Provisions for Meeting of Noteholders);
 - (E) alteration of this definition or the provisos to **paragraphs 5** and/or **6** of **Schedule 3** to the Trust Deed (Provisions for Meeting of Noteholders);
 - (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.
- (k) The Trustee may agree, without the consent of the Noteholders, Receiptholders or the Couponholders, (A) to any modification of, or to the waiver or authorisation of any breach or proposed breach of, these Conditions, the 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 Receiptholders or the Couponholders, determine that any Note Event of Default shall not, or shall not subject to specified conditions, be treated as such. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders, the Receiptholders and the Couponholders in accordance with **Condition 15** as soon as practicable thereafter.
- (l) The Trustee may agree, without the consent of the Noteholders, the Receiptholders or the Couponholders, to the substitution of another body corporate in place of the Issuer as principal debtor under the Trust Deed and the Notes, 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 Trust Deed being complied with. Any such substitution shall be notified to the Noteholders, the Receiptholders and the Couponholders and the Rating Agencies in accordance with **Condition 15**. In the case of a substitution pursuant to this **paragraph (l)**, the Trustee may in its absolute discretion agree, without the consent of the Noteholders, the Receiptholders 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, the Receiptholders or the Couponholders. No such substitution shall take effect unless it applies to all the Notes then outstanding.

13. INDEMNIFICATION AND EXONERATION OF THE TRUSTEE

- (a) The 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 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 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 (except as specified therein) 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 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 Borrower 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 Trust Deed and certain of the other Transaction Documents contain other provisions limiting the responsibility, duties and liability of the Trustee.
- (e) The 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 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 third 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**), Moody's Investors Service Limited (**Moody's**) and Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. (**S&P** and, together with Fitch and Moody's, 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 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 are then applicable to the corresponding Class of Notes then outstanding;
- (c) the Rating Agencies confirm that the respective ratings of each Class of Notes at that time outstanding will not be adversely affected 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 Loan Facility Agent, and/or the Issuer by the Borrower at the date of issue of the Further Notes (if applicable);
- (f) no Loan Event of Default 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 which must be a rate of interest equal to or lower than the rate of interest applicable to the Class of Notes being replaced, 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 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 fixed 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 floating rate payable by the Issuer under any 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 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 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 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.

References to interest in this section may include references to any premiums payable in respect of the Notes.

(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

The Royal Bank of Scotland plc whose registered office is at 4th Floor, 135 Bishopsgate, London EC2M 3UR and UBS Limited whose registered office is at 1 Finsbury Avenue, London EC2M 2PP (together, the **Joint Bookrunners**), pursuant to a subscription agreement dated 28 January 2005 (the **Subscription Agreement**), between the Joint Bookrunners, 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 Joint Bookrunners 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 Joint Bookrunners in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Joint Bookrunners against certain liabilities in connection with the offer and sale of the Notes.

In addition, the Borrower will be obliged under an arrangement fee letter dated on or before the Closing Date to pay an arrangement fee (the **Arrangement Fee**) to the Note Arranger.

United States of America

Each of the Joint Bookrunners 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. Each of the Joint Bookrunners 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 and that it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act.

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

Each of the Joint Bookrunners 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;

- (b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (**FSMA**), with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; 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 Resident (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 Joint Bookrunner) on or before the Closing Date as Professional Market Parties (as defined below) and shall agree (or procure the relevant Joint Bookrunner 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 in paragraph 2 below.

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:

- (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;
- (b) 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;
- (c) the Dutch government (*de Staat der Nederlanden*), DNB, Dutch regional, local or other decentralised governmental institutions, international treaty organisations and supranational organisations;
- (d) 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;
- (e) enterprises, entities or national persons with a net equity (*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 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;

- (f) Netherlands subsidiaries of the entities referred to under (a) above provided such subsidiaries are subject to prudential supervision;
- (g) Netherlands enterprises or entities that have a credit rating from an approved rating agency or whose securities have such a rating; and
- (h) such other Netherlands 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 (**PMPs**) WITHIN THE MEANING OF THE EXEMPTION REGULATION UNDER THE DUTCH ACT ON THE SUPERVISION OF CREDIT INSTITUTIONS 1992 (AS AMENDED).

EACH DUTCH RESIDENT BY PURCHASING THIS NOTE (OR ANY INTEREST HEREIN), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT IT IS A PMP AND IS ACQUIRING THIS NOTE (OR ANY INTEREST THEREIN) FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PMP.

EACH HOLDER OF THIS NOTE (OR ANY INTEREST HEREIN), BY PURCHASING SUCH NOTE (OR ANY SUCH INTEREST), WILL BE DEEMED TO HAVE REPRESENTED AND AGREED FOR THE BENEFIT OF THE ISSUER THAT (1) SUCH NOTE (OR ANY INTEREST THEREIN) MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED TO ANY DUTCH RESIDENTS OTHER THAN TO A PMP ACQUIRING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER PMP AND THAT (2) THE HOLDER WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS DESCRIBED HEREIN TO ANY SUBSEQUENT TRANSFEREE.”

France

The Notes have not been offered or sold, directly, or indirectly to the public in the Republic of 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, each Joint Bookrunner has represented and agreed that it has not distributed or caused to be distributed and will not distribute or cause to be distributed in the Republic of 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 a public offer for sale or subscription 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 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 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

Each of the Joint Bookrunners 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 a Joint Bookrunner 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 Joint Bookrunner 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 the 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.

Each of the Joint Bookrunners 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 27 January 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 2 February 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 14 January 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	021154814	XS0211548143
Class B	021155012	XS0211550123
Class C	021155080	XS0211550800
Class D	021155110	XS0211551105

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 Audit Plc, auditors of the Issuer, 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).
9. PricewaterhouseCoopers LLP, auditors of the Borrower, 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).
10. CB Richard Ellis Limited (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 21 December 2004 (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 Trust Deed and the Borrower Security Agreement will provide that the Trustee and the Loan 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 Trust Deed and the Borrower Security Agreement (as applicable), whether or not such report or other information, engagement letter or other document entered into by the Trustee or the Loan 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 Blackwell House, Guildhall Yard, London EC2V 5AE 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 28 January 2005 and the auditors report thereon;
 - (c) the Subscription Agreement referred to in **paragraph 7** above; and
 - (d) drafts (subject to modification) of the following documents (together with the Subscription Agreement, the **Transaction Documents**):
 - (i) the Trust Deed;
 - (ii) the Credit Agreement;
 - (iii) the Borrower Security Agreement;
 - (iv) the Deed of Charge;
 - (v) the Servicing Agreement;
 - (vi) the Bank Agreement;
 - (vii) the Corporate Services Agreement;
 - (viii) the Share Trust Deed;
 - (ix) the Nominee Declaration of Trust;
 - (x) the Liquidity Facility Agreement;
 - (xi) the Agency Agreement;
 - (xii) the Master Definitions Schedule; and
 - (xiii) the Post Enforcement Call Option Agreement.

APPENDIX A
FINANCIAL INFORMATION IN RESPECT OF THE BORROWER

CSC METROCENTRE LIMITED

REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2003

Company number 4044442

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors submit their report and accounts for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES

The principal activity of the company is the ownership, management and development of the MetroCentre shopping centre, Gateshead.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The company's results and financial position for the year ended 31 December 2003 are set out in full in the profit and loss account, the balance sheet, the statement of total recognised gains and losses, and the notes relating thereto.

Both the level of business during the year and the year end financial position were as expected. Loss on ordinary activities before taxation was £14.1 million (2002 loss £(15.2) million). Shareholders' funds at 31 December 2003 were £(12.5) million (2002 £(16.0) million).

The directors expect that the present level of activity will continue for the foreseeable future.

GOING CONCERN

The company relies on the future support of Capital Shopping Centres PLC to operate as a going concern.

DIVIDENDS

The directors do not recommend a dividend for the year (2002 £nil).

CREDITOR PAYMENT

The company follows the same policy for creditor payments as its ultimate parent company, Liberty International PLC. The majority of trade creditors are paid in accordance with the CBI's Prompt Payers Code. For other suppliers, the company's policy is to agree terms with suppliers for each transaction, to ensure the terms are stated in contracts and to pay in accordance with those terms. The ratio, expressed in days, between the amounts invoiced to the company in the year and its trade creditors as at 31 December 2003 was 1 day as calculated in accordance with the requirements of the Companies Acts (2002 4 days).

FIXED ASSETS

The movements in fixed assets are set out in note 5.

DIRECTORS IN THE YEAR

J G Abel
P C Badcock
R M Cable
K E Chaldecott
D A Fischel
A C Smith

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

DIRECTORS' INTERESTS

During the year no director held a disclosable interest in the shares of the company. The interests of the directors who are also directors of Liberty International PLC and their families, in the share capital of other group companies, are disclosed in the notes of the annual report and accounts of that company. The interests of the remaining directors (i.e. excluding those directors who are also directors of Liberty International PLC) and their families in the share capital of other group companies are shown in the financial statements of the immediate parent company Capital Shopping Centres PLC.

DIRECTORS' RESPONSIBILITIES

The directors are required by United Kingdom company law to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2003. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and for taking reasonable steps to prevent and detect fraud and other irregularities.

AUDITORS

Elective resolutions are in force to dispense with holding annual general meetings, the laying of annual accounts before the company in general meeting and the appointment of auditors annually. No annual general meeting will be held this year unless a requisition to hold the same is received from a member or the auditors within 28 days of receipt of these report and accounts. In the absence of any such requisition, the auditors, PricewaterhouseCoopers LLP, will be deemed to be re-appointed for each succeeding financial year.

By order of the Board

S Folger

Secretary

11 February 2004

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of CSC MetroCentre Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses, and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you, if in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
11 February 2004

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £m	2002 £m
Continuing operations			
Turnover	1	54.0	50.9
Net property investment income.....	1	38.5	36.3
Administrative expenses.....		(1.4)	(1.3)
Operating profit.....		37.1	35.0
Net interest	2	(51.2)	(50.2)
Loss on ordinary activities before taxation	3	(14.1)	(15.2)
Taxation on loss on ordinary activities	4	–	–
Loss for the financial year		(14.1)	(15.2)
Retained loss brought forward		(15.2)	–
Retained loss carried forward.....		(29.3)	(15.2)

There is no difference between the loss on ordinary activities before taxation and the loss for the year and their historical cost equivalents.

The notes on pages 7 to 13 form part of these financial statements.

BALANCE SHEET AT 31 DECEMBER 2003

	Notes	2003 £m	2002 £m
Fixed assets			
Tangible assets:			
Investment properties	5	820.9	760.4
Current assets			
Debtors	6	156.4	155.7
Cash at bank and in hand		11.0	12.2
		167.4	167.9
Creditors: amounts falling due within one year	7	(656.7)	(596.9)
Net current liabilities		(489.3)	(429.0)
Total assets less current liabilities		331.6	331.4
Creditors: amounts falling due after more than one year			
Bank loan	8	(344.1)	(347.3)
Net liabilities		(12.5)	(16.0)
Capital and reserves			
Share capital.....	9	1.0	1.0
Revaluation reserve	10	15.8	(1.8)
Profit and loss account.....		(29.3)	(15.2)
Equity shareholders' funds		(12.5)	(16.0)

The notes on pages 7 to 13 form part of these financial statements.

Approved by the Board on 11 February 2004

J G Abel
Director

A C Smith
Director

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED
31 DECEMBER 2003**

	2003	2002
	£m	£m
Loss for the financial year	(14.1)	(15.2)
Increase/(decrease) in valuation of investment properties	17.6	(0.6)
Total recognised gains and losses for the year	<u>3.5</u>	<u>(15.8)</u>

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS FOR THE YEAR ENDED
31 DECEMBER 2003**

	2003	2002
	£m	£m
Opening shareholders' funds	(16.0)	(0.2)
Total recognised gains and losses for the year	3.5	(15.8)
Closing shareholders' funds.....	<u>(12.5)</u>	<u>(16.0)</u>

PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies which have been adopted in the preparation of the financial statements are set out below:

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards in the United Kingdom and under the historical cost convention as modified by the revaluation of properties as described below and in accordance with the going concern basis in view of the continued support from the immediate parent company and group undertakings as disclosed in note 7.

Completed investment properties

Completed investment properties are professionally valued on a market value basis by external valuers at the balance sheet date. Surpluses and deficits arising during the year are reflected in the revaluation reserve.

Investment properties under development

Investment properties under development are included in the balance sheet at cost. Provision is made where necessary for any anticipated valuation deficiencies arising on completion. Cost includes interest and other attributable outgoings. On completion investment properties under development are transferred to completed investment properties.

Depreciation

In accordance with Statement of Standard Accounting Practice 19 no depreciation is provided in respect of freehold or long leasehold investment properties including integral plant (long leasehold investment properties for this purpose comprise leases with more than 20 years unexpired). The requirement of the Companies Act 1985 is to depreciate all properties but that requirement conflicts with the generally accepted accounting principles set out in Statement of Standard Accounting Practice 19. The directors consider that, as these properties are held for investment, to depreciate them would not give a true and fair view and it is necessary to adopt Statement of Standard Accounting Practice 19 for the accounts to show a true and fair view. The financial effect of the departure from the Act cannot reasonably be quantified as depreciation is only one of the many factors reflected in the annual valuation of properties so the amount which might otherwise have been charged cannot be separately identified or quantified.

Turnover

Turnover consists of gross rental income calculated on an accruals basis, together with sales and services in the ordinary course of business, excluding sales of investment properties. In accordance with UITF 28, rental income receivable in the period from lease commencement to the earlier of the first market rent review and the lease end date is spread evenly over that period. Any incentive for lessees to enter into a lease agreement is spread over the same period.

PRINCIPAL ACCOUNTING POLICIES

Taxation

Corporation tax is provided at the current rate on taxable profits. Taxation payable upon realisation of revaluation gains recognised in prior periods is recorded as a movement in reserves and reported in the statement of total recognised gains and losses. Deferred taxation is provided in full on timing differences other than valuation surpluses on investments held for the long term where disposal is not contemplated in the foreseeable future. Deferred taxation is provided on the difference between the tax written down value and book value of all assets and on chargeable capital gains on those investments and investment properties earmarked for sale at the date of the accounts. This liability is not discounted. The potential amount of taxation which would be payable if all valuation surpluses on investments held for the long term were to be realised is disclosed in note 4 to the accounts.

Debt instruments

Debt instruments are stated at their net issue proceeds adjusted for amortisation of issue costs.

Cash flow statement

The company is not required to produce a statement of cash flows under Financial Reporting Standard 1 (Revised 1996) as it is a wholly owned subsidiary of Liberty International PLC and the cash flows of the company are included in the consolidated financial statements of the ultimate parent company, which are publicly available.

Related party transactions

The company is ultimately wholly owned by Liberty International PLC, whose consolidated financial statements are publicly available, and therefore the company is exempt under the terms of Financial Reporting Standard 8 from disclosing details of transactions with related parties who are members or investees of the Liberty International PLC group.

CSC METROCENTRE LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2003

1. Turnover and net property investment income

Turnover arose in the United Kingdom from continuing operations and in the opinion of the directors the company carries on only one class of business.

	2003 £m	2002 £m
Rents receivable	43.4	41.4
Service charge and other income	10.6	9.5
Turnover	54.0	50.9
Outgoings	(11.3)	(10.6)
Rents payable	(4.2)	(4.0)
Net property investment income	38.5	36.3

The directors believe that the nature of the company's business is such that the analysis of costs required by the Companies Act 1985 is not appropriate. As required by the Act the directors have therefore adopted the above format so that costs are disclosed in a manner appropriate to the company's principal activity.

2. Net interest

	2003 £m	2002 £m
Interest payable		
Bank loans	25.1	25.6
Amounts due to group undertakings	28.5	25.5
	53.6	51.1
Less: interest capitalised on developments	(2.3)	(0.7)
	51.3	50.4
Interest receivable		
Other	(0.1)	(0.2)
	51.2	50.2

3. Loss on ordinary activities before taxation

The loss on ordinary activities before taxation of £14.1 million (2002 loss £15.2 million) is arrived at after charging:

	2003 £m	2002 £m
Auditors' remuneration - audit services	13,000	12,400
Directors' remuneration	nil	nil
	13,000	12,400

There were no employees during the year (2002 nil).

4. Taxation

(a) Taxation charge for the financial year

The differences between the taxation charged for the year and the current standard rate of United Kingdom corporation tax (30%) are shown below:

	2003 £m	2002 £m
Loss on ordinary activities before taxation.....	(14.1)	(15.2)
Current United Kingdom corporation tax at 30% (2002 30%)	(4.2)	(4.6)
Effects of:		
Disallowed expenses	(0.7)	(0.2)
Group relief	4.9	4.8
Total current taxation	-	-
Deferred taxation	-	-
Taxation on loss on ordinary activities	-	-

(b) Contingent taxation

If deferred taxation were to be provided in respect of all valuation surpluses a provision of £99.9 million (2002 £98.1 million) would be required, assuming investment properties were disposed of at 31 December 2003 at their carrying value. The amount is undiscounted and takes no account of the long term deferral of the liability until eventual disposal, or the benefit from future inflation linked indexation allowances.

5. Investment properties

	Leasehold over 50 years £m
Completed properties at independent valuation	
At 31 December 2002	744.0
Additions	1.4
Surplus on valuation	17.6
At 31 December 2003	763.0
Developments at cost	
At 31 December 2002	16.4
Additions	41.5
At 31 December 2003	57.9
Total investment properties	
At 31 December 2002	760.4
At 31 December 2003	820.9

The company's interests in completed investment properties were valued as at 31 December 2003 by external valuers, DTZ Debenham Thorpe Tie Leung Limited, in accordance with the Appraisal and Valuation Manual of RICS, which became effective on 1 May 2003, on the basis of market value. Market value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller. Market value is estimated without regard to costs of sale or purchase and thus values reported at 31 December 2003 do not include purchasers' costs, whereas at 31 December 2002 the open market value of investment properties included £33.7

million purchasers' costs in effect reflecting theoretical replacement value. This change in basis constitutes a change in estimation technique.

The historic cost of completed properties is £747.2 million (2002 £745.8 million). In accordance with the company's accounting policy and Statement of Standard Accounting Practice 19, no depreciation has been charged in respect of the long leasehold investment properties. The effect of this departure from the Companies Act 1985 has not been quantified because it is impracticable and, in the opinion of the directors, would be misleading.

Completed properties represent the MetroCentre shopping centre, Gateshead. Developments represent the extension of the Red Quadrant at MetroCentre including the construction of a department store and 27 new unit shops due for completion in autumn 2004. Interest is capitalised on the costs of investment properties under development by reference to the average rate of interest paid on borrowings of 6.5% (2002 6.5%). Developments at cost include capitalised interest of £3.3 million (2002 £1.0 million).

6. Debtors

	2003 £m	2002 £m
Rents receivable	1.7	2.4
Amount due from group undertakings	150.4	150.3
Tax recoverable	1.8	–
Other debtors	0.1	0.1
Prepayments and accrued income	2.4	2.9
	<u>156.4</u>	<u>155.7</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand. The company has given an undertaking that amounts due from group undertakings will not be requested to be paid unless sufficient funds are available in the group undertakings to repay all other creditor balances.

7. Creditors: amounts falling due within one year

	2003 £m	2002 £m
Trade creditors	–	0.1
Bank loan and overdrafts	3.5	3.5
Amounts due to immediate parent company	168.2	132.6
Amounts due to group undertakings	465.3	440.9
Other taxation and social security	–	1.2
Other creditors	0.4	1.7
Rents receivable in advance	11.3	10.7
Accruals and deferred income	8.0	6.2
	<u>656.7</u>	<u>596.9</u>

Amounts due to the immediate parent company and group undertakings are unsecured and payable on demand. The immediate parent company and group undertakings have given an undertaking that repayment of amounts owing to them will not be demanded in priority to any other liabilities of the company and unless appropriate funds are available to repay the liabilities and meet the terms of all other creditors.

Amounts due to the immediate parent company and group undertakings are subordinated to the bank loan (note 8) and interest has been charged on these amounts at a rate of 6.5 per cent per

annum (2002 6.5 per cent). The resulting total interest payable amounted to £28.5 million (2002 £25.5 million).

8. Creditors: amounts falling due after more than one year

	2003 £m	2002 £m
Bank loan due 2014	344.1	347.3

The bank loan represents a £730 million loan and revolving facility agreement secured on MetroCentre, Gateshead, and another shopping centre, for a fifteen year term. The loan is stated at the fair value of the consideration received after deduction of unamortised costs of £3.2 million (2002 £3.5 million). Amounts due to the immediate parent company and group undertakings are subordinate to the bank loan.

9. Share capital

	2003 £m	2002 £m
Authorised		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000
Issued, called up and fully paid		
1,000,000 ordinary shares of £1 each	1,000,000	1,000,000

10. Reserves

	Revaluation reserve £m	Profit and loss account £m	Total £m
At 31 December 2002	(1.8)	(15.2)	(17.0)
Retained loss	–	(14.1)	(14.1)
Increase in valuation of investment properties	17.6	–	17.6
At 31 December 2003	15.8	(29.3)	(13.5)

11. Ultimate parent company

The ultimate parent company is Liberty International PLC, a company incorporated and registered in England and Wales, copies of whose accounts may be obtained from the Company Secretary, 40 Broadway, London, SW1H 0BT. The immediate parent company is Capital Shopping Centres PLC, a company incorporated and registered in England and Wales, copies of whose accounts may be obtained as above.

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