

OFFERING CIRCULAR

**PEVEREL FUNDING LIMITED**

*(incorporated with limited liability in the Cayman Islands with registration number 94098)*

**£103,000,000 Secured Notes**

**£100,000,000 Class A Secured 6.06 per cent. Notes due 2036**

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**Issue Price: 98.451 per cent.**

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**£3,000,000 Class B Secured 7.35 per cent. Notes due 2036**

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**Issue Price: 99.657 per cent.**

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Application has been made to the Luxembourg Stock Exchange to list the £103,000,000 Secured Notes due 2036 of Peverel Funding Limited (the "Issuer") comprising £100,000,000 Secured 6.06 per cent. Class A Notes (the "Class A Notes") and £3,000,000 Secured 7.35 per cent. Class B Notes (the "Class B Notes", and together with the Class A Notes, the "Notes").

The Notes will be primary obligations of the Issuer only and will not be guaranteed by, or be the responsibility of, any other person (other than the Charging Companies (as defined below)). It should be noted, in particular, that the Notes will not be obligations or responsibilities of, and will not be guaranteed by, Merrill Lynch International, the Note Trustee, the Security Trustee, the Liquidity Facility Provider, the Managing Agents, the Cash Manager, the Parent (each as defined below), or any other person (other than the Issuer itself and the Charging Companies).

It is expected that the Class A Notes will, when issued, be assigned an AAA rating by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc. ("S&P") and an AAA rating by Duff & Phelps Credit Rating Agency ("DCR" and together with S&P, the "Rating Agencies"). It is expected that the Class B Notes will, when issued, be assigned a BBB rating by each of 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 the assigning rating organisation.

Particular attention is drawn to the section herein entitled "Special Considerations".

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**Merrill Lynch International**

30 March 2000

The Notes of each class will be issued in bearer form and will initially be in the form of a temporary global note (each a "**Temporary Global Note**") in bearer form without bearer interest coupons ("**Coupons**") or talons ("**Talons**"), which will be deposited on or around 31 March 2000 (the "**Closing Date**") with Deutsche Bank AG, London as common depositary (the "**Common Depositary**") for Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, *société anonyme*, Luxembourg (previously Cedelbank) ("**Clearstream, Luxembourg**"). Each Temporary Global Note will be exchangeable for interests in a permanent global note representing the Notes of the relevant class which will also be deposited with the Common Depositary (each a "**Permanent Global Note**") in bearer form without Coupons or Talons, not earlier than 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership. Interest payments in respect of the Notes cannot be collected without such certification of non-U.S. beneficial ownership. Each Permanent Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form in the denomination of £50,000 each and (if appropriate) with Coupons and Talons attached (see "Summary of Provisions Relating to the Notes in Global Form").

Interest on the Notes is payable by reference to successive Interest Periods (as defined in the terms and conditions of the Notes set out in "Terms and Conditions of the Notes" below (the "**Conditions**")). Interest will be payable semi-annually in arrears in pounds sterling on 1 June and 1 December in each year (each an "**Interest Payment Date**") commencing on 1 June 2000. The first Interest Period will commence on (and include) the Closing Date and end on (but exclude) 1 June 2000. Each successive Interest Period will commence on (and include) an Interest Payment Date and end on (but exclude) the next succeeding Interest Payment Date. Interest on the Notes will be payable at a rate of 6.06 per cent. per annum in relation to the Class A Notes and 7.35 per cent. per annum in relation to the Class B Notes.

The Class A Notes will be subject to mandatory amortising redemption in part in accordance with Condition 5(a) ("**Mandatory Amortising Redemption**") on each Interest Payment Date from 1 June 2008 to 1 December 2034 (the "**Scheduled Redemption Date**"). The Notes will also be subject to mandatory partial redemption in certain circumstances and/or optional redemption in whole or in part (see Condition 5 (*Redemption and Purchase*)). The Notes shall, in any event, be redeemed at their Principal Amount Outstanding (together with accrued interest thereon) on 1 December 2036 (the "**Final Redemption Date**").

**If any withholding or deduction for or on account of tax is applicable to the Notes, payments of interest on, and principal of the Notes will be made subject to any such withholding or deduction, without the Issuer or any other person being obliged to pay any additional or further amount as a consequence.**

The Issuer accepts responsibility for the information contained in this Offering Circular other than the information relating to the Liquidity Facility Provider. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), 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.

Lloyds TSB Bank plc accepts responsibility for the information included in this Offering Circular in the section headed "The Liquidity Facility Provider".

**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 United States tax law requirements. The Notes are being offered outside the United States by the Manager in accordance with Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.**

No invitation will be made to the public in the Cayman Islands to subscribe for the Notes.

The distribution of this Offering Circular and the offering, sale and delivery of the Notes in certain jurisdictions

may be restricted by law. Persons into whose possession this Offering Circular (or any part hereof) falls are required by the Issuer and Merrill Lynch International (the "Manager") to inform themselves about, and to observe, any such restrictions. For a description of certain further restrictions on offers and sales of Notes and distribution of this Offering Circular (see "Subscription and Sale" below).

Neither this Offering Circular nor any part hereof constitutes an offer of, or an invitation by, or on behalf of, the Issuer or the Manager to subscribe for or purchase any of the Notes and neither this Offering Circular, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the Notes other than as contained in this Offering Circular or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the directors of the Issuer, the Borrower, the Manager or any other person.

Neither the delivery of this Offering Circular nor the offering, sale, allotment or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer or any Obligor (as defined in "Summary Information – The Parties – The Charging Companies, the Property Charging Companies, the Obligors and the Borrower Subsidiaries" below) since the date of this Offering Circular or that the information contained herein is correct at any time subsequent to the date hereof.

In this Offering Circular, unless otherwise specified, references to "£", "pounds" or "sterling" or "pounds sterling" are to the lawful currency of the United Kingdom of Great Britain and Northern Ireland and references to "U.S.\$" are to the lawful currency of the United States of America.

In connection with this issue, the Manager may over-allot or effect transactions which stabilise or maintain the market price of the Notes at a level which might not otherwise prevail. Such stabilising, if commenced, may be discontinued at any time.

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## SUMMARY INFORMATION

*The following information on pages 1 to 19 is a summary of the principal features of the issue of the Notes. This summary does not purport to be complete and should be read in conjunction with, and is qualified in its entirety by references to the detailed information presented elsewhere in this Offering Circular. For the purposes of this Offering Circular, unless the context requires otherwise and save in the description of the Charging Companies in the Appendix and in the Accountant's Reports contained herein, the proposed Peverel Group corporate reorganisation (including the sale of the Borrower Subsidiaries to the Borrower), which will take place immediately preceding the issue of the Notes, is deemed to have been effected.*

### Transaction Overview

#### Loan Facility

On the Closing Date, the gross issue proceeds of the Notes will be applied by the Issuer under the terms of the Peverel/Issuer Loan Agreement (as defined in "The Parties – The Borrower" below) in making (i) an advance to the Borrower (as defined in "The Parties – The Borrower" below) in an aggregate principal amount of £98,451,000 (the "Class A Discounted Advance") and (ii) an advance to the Borrower in an aggregate principal amount of £2,989,710 (the "Class B Discounted Advance", and together with the Class A Discounted Advance, the "Discounted Advances").

The terms of each Discounted Advance (including, *inter alia*, in relation to the payment of interest and the repayment and prepayment of principal) will be broadly similar to the terms and conditions of the corresponding class of Notes. For a more detailed description of the terms of the Discounted Advances, see "Summary of Principal Documents and Bank Accounts – Principal Documents – Peverel/Issuer Loan Agreement" below.

On the Closing Date, £93,941,286 of the Discounted Advances will be applied by the Borrower (i) to pay the initial cash consideration due by it to the relevant members of the Peverel Group (as defined in "The Parties – The Peverel Group" below) (outside the Securitisation Group (as defined in "The Parties – The Securitisation Group" below)) as initial consideration for the sale by them to the Borrower of the entire issued share capital of the Borrower Subsidiaries (as defined in "The Parties – The Charging Companies, the Property Charging Companies, the Obligors and the Borrower Subsidiaries" below), (ii) to make loans (the "Inter-Company Loans") to the Property Charging Companies (as defined in "The Parties – The Charging Companies, the Property Charging Companies, the Obligors and the Borrower Subsidiaries" below) to enable them to repay their existing indebtedness to the relevant members of the Peverel Group outside the Securitisation Group and certain third party indebtedness and (iii) to meet certain expenses in connection with the Peverel/Issuer Loan (as defined in "The Parties – The Borrower" below). The amount of the Discounted Advances not applied by the Borrower on the Closing Date will (i) as to £5,050,000, be deposited in an account in the name of the Borrower maintained at the Account Bank (as defined in "The Parties – The Account Bank" below) known as the "Options Exercise Account" (the "Options Exercise Account"), (ii) as to £2,124,168, be deposited in an account in the name of the Borrower maintained at the Account Bank known as the "Suspended Advances Account" (the "Suspended Advances Account") and (iii) as to £325,256, be deposited in an account in the name of the Borrower maintained at the Account Bank known as the "Stamp Duty Reserve Account" (the "Stamp Duty Reserve Account"). These accounts are more fully described below (see "Bank Accounts" and "Summary of Principal Documents and Bank Accounts – Bank Accounts" below).

### **Cash Flows**

The payment of Ground Rent and Transfer Fees (each as defined in "The Property Portfolio" below) to the Property Charging Companies will provide the primary source of funds for the Borrower to make payments of interest and repayments of principal due under the Peverel/Issuer Loan Agreement. In addition, the Borrower will have the benefit of the amounts standing to the credit of the Cash Reserve Account (as defined in "Cash Reserve Account" below), the Option Income Shortfall Loan (as defined in "Option Income Shortfall Loan" below), the Borrower Voluntary Loan Agreements (as defined in the Conditions) (if any), and any amounts earned in respect of monies in its bank accounts or from Eligible Investments (as defined in "Summary of Principal Documents and Bank Accounts – Principal Documents – Cash Management Agreement" below). Subject in each case to and as more particularly set out under "Credit Structure" below: all payments made by the Borrower to the Issuer under the Peverel/Issuer Loan Agreement; all amounts of interest earned on the interest bearing current account of the Issuer with the Account Bank (the "Issuer Transaction Account"); and all advances drawn by the Issuer under the Liquidity Facility Agreement (as defined in the Conditions), will be used by the Issuer, *inter alia*, and subject to certain exceptions, to pay amounts due on the Notes and to pay any amounts due to the other Secured Creditors (as defined in "Summary of Principal Documents and Bank Accounts – Principal Documents – Deed of Charge" below) under the Deed of Charge (as defined in the Conditions).

### **Security**

The obligations of the Borrower under the Peverel/Issuer Loan Agreement will be secured pursuant to the Borrower Debenture (as defined in the Conditions) in favour of the Security Trustee by fixed and floating security over all the property, undertaking and assets of the Borrower (see further "Summary of Principal Documents and Bank Accounts – Principal Documents – Borrower Debenture" below). The Issuer will sub-charge and, as applicable, assign to the Note Trustee by way of first fixed security all of its right, title, interest and benefit in and to, *inter alia*, the Peverel/Issuer Loan Agreement, the Borrower Debenture, the Issuer Transaction Account, the Liquidity Facility Agreement and the Cash Management Agreement (as defined in the Conditions) pursuant to the Deed of Charge. The obligations of each Charging Company (as defined in "The Parties – The Charging Companies, the Property Charging Companies, the Obligors and the Borrower Subsidiaries" below) under the Guarantees (as defined in "Principal Characteristics of the Notes – Guarantees" below) will be secured pursuant to the Deed of Charge in favour of the Note Trustee by fixed and floating security over all the property, undertaking and assets of such Charging Company, (including its interests in the Properties (as defined in "The Property Portfolio" below) but excluding any shares in the Optionholder) (see further "Summary of Principal Documents and Bank Accounts – Principal Documents – Deed of Charge" below).

### **The Property Portfolio**

As at 8 March 2000, the Property Charging Companies collectively owned (subject to the qualifications relating to 12 of the Properties which are the subject of the Suspended Advances Account, as described in "Suspended Advances Account" below, and as described in "Information on the Property Portfolio" below) either the freehold or a long leasehold reversionary interest in 1,306 properties (each a "Property", excluding, where the context so requires, estate land as described below) in England and Wales comprising 37,790 Apartments (as defined below). Properties range in age up to 23 years from the date of the completion of construction of the relevant Property. Each Property comprises a number of self-contained residential flats or, in a limited number of cases, bungalows or cottages (each an "Apartment") or, in a limited number of cases, adjoining estate land ancillary to the relevant development. The Properties are either sheltered housing developments or general residential developments. The number of Apartments in a Property ranges from 1 to 421 (the average number is 29).

Each such Apartment (other than any Warden's Apartment (as defined below)), is subject to an occupational lease in respect of which a Property Charging Company is the landlord (a "Lease") granted for an original term of 99 years or more.

In the case of sheltered housing developments, the Leases impose a requirement that the person occupying the premises under such Lease, or, in the case of a couple who are joint occupiers, at least one of them, must be over a certain age, usually 55 or 60. The relevant Property Charging Company, in its capacity as landlord (the "Landlord") under a Lease, is obliged to provide property management and maintenance services typically including a warden (and sometimes a deputy warden) who generally resides in an Apartment (a "Warden's Apartment"). An emergency call system is also generally provided in each Apartment. No food, housekeeping, nursing or medical services are provided.

Each Lease is subject to an annual ground rent (each a "Ground Rent") payable by the tenant under the Lease (the "Tenant") to the Landlord. As at 8 March 2000 (subject as described in "Information on the Property Portfolio" below), the aggregate of the current Ground Rents is £4,711,823 (£3,608 per property and £125 per Apartment, on average). The Ground Rent in respect of each Lease is payable by the relevant Tenant generally in two equal instalments per annum. Most of the Ground Rents are subject to adjustment by reference to increases in the United Kingdom Retail Price Index or other factors (see "Information on the Property Portfolio" below). Tenants are also obliged to pay to the Landlord a proportion of the costs of maintaining and providing certain services to such Property, subject to statutory controls.

The majority of the Leases in relation to the Properties which are to be managed by Peverel Management Services Limited pursuant to the Property Management Agreement (as defined in the Conditions) provide that, if a Tenant assigns his interest in a Lease, the Landlord is entitled to a fee (a "Transfer Fee") payable by the transferor. The Transfer Fees are generally 1 per cent. of the market value of the Lease and relate almost exclusively to sheltered housing developments. Any transfer fees payable under the terms of Leases in respect of properties managed by O.M. Management Services Limited pursuant to the Property Management Agreement are retained by O.M. Management Services Limited.

The Property Charging Companies also collectively hold the options specified in the Peverel/Issuer Loan Agreement (each a "Peverel Option") to acquire the freehold or long leasehold reversionary interests in the specified properties. The Peverel Options represent 96 properties totalling 4,388 apartments.

Further details of the Properties and the Peverel Options, and details of the due diligence carried out in respect of the Properties, as well as the Property Due Diligence Matrix (as defined in "General Information" below), are set out below in "Information on the Property Portfolio".

## **The Parties**

### ***The Issuer***

Peverel Funding Limited is a company incorporated under the laws of the Cayman Islands, having its registered office at Uglan House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies. The Issuer is a wholly-owned subsidiary of Peverel Securitisation Limited. It has been incorporated for the limited purposes of issuing the Notes and the transactions and matters referred to or contemplated by this Offering Circular.

### ***The Borrower***

Peverel Properties Limited (the "Borrower") is a private limited company incorporated in England and Wales on 23 August 1999 with registered number 3829939. The Borrower is a wholly-owned subsidiary of Peverel Securitisation Limited. The Borrower will borrow the gross proceeds of the issue of the Notes under a facility to be made available by the Issuer on the Closing Date (the

“Peverel/Issuer Loan”) pursuant to a loan agreement (the “Peverel/Issuer Loan Agreement”) to be entered into on the Closing Date between the Borrower, the Issuer, the Charging Companies, the Security Trustee and the Note Trustee.

**The Charging Companies, the Property Charging Companies, the Obligors and the Borrower Subsidiaries**

For the purposes of this Offering Circular:

“Borrower Subsidiaries” means Retirement Care (Southern) Investments Limited, Peverel Freehold Reversions Limited and Meridian Land & Investments Limited;

“Charging Companies” means the Property Charging Companies (as defined below), Peverel Securitisation Limited and Peverel Freehold Reversions Limited;

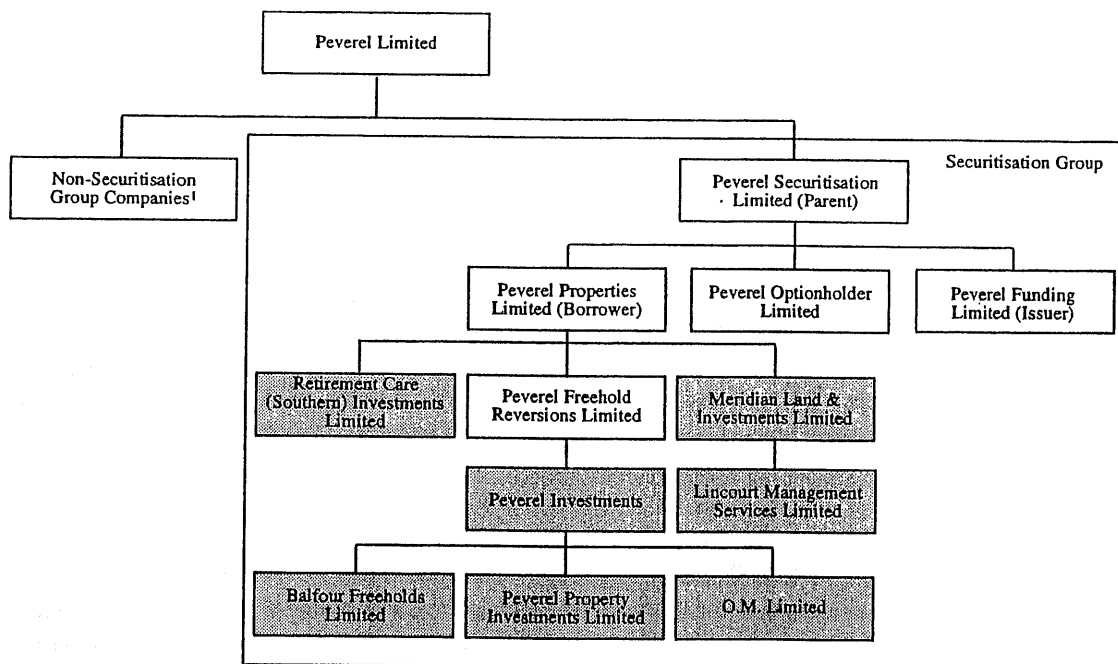
“Obligors” means the Charging Companies and the Borrower; and

“Property Charging Companies” means Peverel Investments, Peverel Property Investments Limited, O.M. Limited, Meridian Land & Investments Limited, Retirement Care (Southern) Investments Limited, Balfour Freeholds Limited and Lincourt Management Services Limited.

**The Peverel Group**

On the Closing Date, the Borrower will purchase the entire issued share capital of each of the Borrower Subsidiaries.

The diagram below outlines the organisational structure of Peverel Limited and its direct and indirect subsidiaries (the “Peverel Group”) as it will be on the issue of the Notes. Those companies that are members of the Securitisation Group (as defined below) are detailed below.



<sup>1</sup> Includes Peverel Management Services Limited and O.M. Management Services Limited. Property Charging Companies shown in grey.

<b><i>Peveler Limited</i></b>	Peveler Limited is a private limited company incorporated in England and Wales with registered number 2806856 and is the holding company of Peveler Securitisation Limited. It is not a member of the Securitisation Group and will not provide any security in favour of the Security Trustee or the Note Trustee.
<b><i>Peveler Securitisation Limited</i></b>	Peveler Securitisation Limited (the “ <b>Parent</b> ”) is a private limited company incorporated in England and Wales with registered number 3874014. It is the holding company of the Issuer and the Borrower and has no independent business operations. Peveler Securitisation Limited is a wholly-owned subsidiary of Peveler Limited.
<b><i>The Securitisation Group</i></b>	For the purposes of this Offering Circular, the “ <b>Securitisation Group</b> ” means the Issuer, the Borrower, the Optionholder (as defined below) and each of the Charging Companies.
<b><i>The Account Bank</i></b>	Barclays Bank PLC (the “ <b>Account Bank</b> ”), acting through its branch at P.O. Box 378, 71 Grey Street, Newcastle-upon-Tyne, Tyne & Wear, NE99 1JP or such other bank as may, from time to time, be appointed for this purpose in accordance with the Bank Agreement (as defined in the Conditions).
<b><i>The Managing Agents</i></b>	Peveler Management Services Limited is a private limited company incorporated in England and Wales with registered number 1614866, and O.M. Management Services Limited is a private limited company incorporated in England and Wales with registered number 2061041 (together, the “ <b>Managing Agents</b> ”). The Managing Agents will be appointed by the Property Charging Companies to act between them as managing agents of the Properties pursuant to the Property Management Agreement.
<b><i>The Cash Manager</i></b>	Peveler Management Services Limited (the “ <b>Cash Manager</b> ”) will be appointed by each of the Borrower and the Issuer pursuant to the Cash Management Agreement to act as cash manager.
<b><i>The Subordinated Loan Provider</i></b>	Peveler Holdings Limited (the “ <b>Subordinated Loan Provider</b> ”) will provide subordinated loans to the Borrower as described below for the purposes of, <i>inter alia</i> , funding the initial amount to be credited to the Cash Reserve Account (as defined in “Cash Reserve Account” below) and the Option Income Shortfall Account (as defined in “Option Income Shortfall Account” below).
<b><i>The Principal Paying Agent</i></b>	Deutsche Bank AG (the “ <b>Principal Paying Agent</b> ”), acting through its London branch, or any other person for the time being acting as Principal Paying Agent pursuant to the Paying Agency Agreement (as defined in the Conditions).
<b><i>The Note Trustee and the Security Trustee</i></b>	The Note Trustee and the Security Trustee will be Bankers Trustee Company Limited. The Note Trustee will be appointed pursuant to a trust deed (the “ <b>Trust Deed</b> ”) to be entered into on the Closing Date between the Issuer and the Note Trustee to represent the interests of the holders of the Notes. The Security Trustee will be appointed as such pursuant to the Borrower Debenture. The Security Trustee will hold the security granted under the Borrower Debenture, and the Note Trustee will hold the security granted under the Deed of Charge.

***The Liquidity Facility Provider***

Lloyds TSB Bank plc (the “**Liquidity Facility Provider**”), a public limited company incorporated under the laws of England and Wales acting through its Corporate and Institutional Division in London.

***The Optionholder***

Peverel Optionholder Limited (the “**Optionholder**”) is a private limited company incorporated in England and Wales with registered number 3829472 for the sole purpose of entering into the Post Enforcement Call Option (as defined below) and is a wholly-owned subsidiary of Peverel Securitisation Limited.

**Principal Characteristics of the Notes**

***Title***

The £100,000,000 Class A 6.06 per cent. Notes due 2036 and the £3,000,000 Class B 7.35 per cent. Notes due 2036 are to be issued on or about the Closing Date by the Issuer.

***Status, Form and Denomination***

The Class A Notes and the Class B Notes (which will be in bearer form in the denomination of £50,000) will be constituted by the Trust Deed (as defined in the Conditions) and will be secured by the same security. The Class A Notes will rank *pari passu* without preference or priority amongst themselves but will rank senior in priority to the Class B Notes in point of security and as to payment of both interest and principal. The Class B Notes will rank *pari passu* without preference or priority amongst themselves. Title to the Notes will pass by delivery.

The Notes of each class will initially be represented by a single Temporary Global Note for that class, without Coupons or Talons, which will be deposited with the Common Depositary on or about the Closing Date. Each Temporary Global Note will be exchangeable, subject as provided in the Conditions, for interests in a Permanent Global Note for that class, without Coupons or Talons, which will be deposited with the Common Depositary on or after the first day following the expiry of 40 days after the Closing Date upon certification as to non-U.S. beneficial ownership.

***Interest***

Payment of interest on the Notes will be made in pounds sterling on 1 June and 1 December in each year (in accordance with the Conditions), save that the first Interest Period (as defined in the Conditions) will commence on and include the Closing Date and the first Interest Payment Date will be 1 June 2000.

Interest on the Notes will be at the rate of 6.06 per cent. per annum in relation to the Class A Notes and 7.35 per cent. per annum in relation to the Class B Notes, in each case, payable on the Principal Amount Outstanding (as defined in the Conditions) of such Notes.

The Class B Noteholders will only be entitled to receive payment of interest on the Class B Notes on any Interest Payment Date to the extent that the Issuer has funds available for that purpose after making payment on such Interest Payment Date of any liabilities ranking in priority to the Class B Notes (including interest and principal payable on the relevant Interest Payment Date in respect of the

Class A Notes and amounts payable to the Liquidity Facility Provider in respect of principal and interest under the Liquidity Facility Agreement) as provided in the Conditions, the Cash Management Agreement and the Deed of Charge.

Any interest on the Notes not paid on an Interest Payment Date will (subject as provided in Condition 6 (*Payments*)) accrue interest at the rate of 1 per cent. above the relevant Rate of Interest (as defined in the Conditions) and will be paid to the relevant Noteholders on subsequent Interest Payment Dates, to the extent that the Issuer has funds available for such purpose after making payments on such Interest Payment Dates as aforesaid.

***Issue Price***

The Class A Notes will be issued at 98.451 per cent. of their principal amount and the Class B Notes will be issued at 99.657 per cent. of their principal amount.

***Withholding Tax***

All payments of interest, principal and Make-Whole Amounts (as defined in the Conditions) (if any) in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the United Kingdom, the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer shall make 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 OTHER PERSON WILL BE OBLIGED TO MAKE ANY ADDITIONAL PAYMENTS TO HOLDERS OF NOTES OR COUPONS IN RESPECT OF SUCH WITHHOLDING OR DEDUCTION. (See "Taxation" below for a description of certain aspects of the taxation of the Notes.)

***Final Redemption***

If the Notes have not been purchased or redeemed and cancelled in full on or before the Scheduled Redemption Date, (i) the Principal Amount Outstanding thereof may be repaid in whole or in part on any Interest Payment Date from the Scheduled Redemption Date, and (ii) the Notes shall, in any event, be redeemed at their Principal Amount Outstanding (together with accrued interest thereon) on or before the Final Redemption Date.

***Mandatory Amortising Redemption***

The Class A Notes will be subject to mandatory amortising redemption in part on each Interest Payment Date commencing on 1 June 2008 to the Scheduled Redemption Date in the amounts as described in Condition 5(a) (*Redemption and Purchase*). The Class B Notes will not be subject to mandatory amortising redemption.

***Mandatory Partial Redemption***

In addition, the Class A Notes and the Class B Notes will, in certain circumstances, be subject to mandatory partial redemption in accordance with Condition 5(e) ("**Mandatory Partial Redemption**"). In the event of any Mandatory Partial Redemption, the Issuer will pay the relevant Noteholders such principal amount being redeemed, together with interest accrued thereon and the applicable Make-Whole Amount (if any).

### **Optional Redemption**

The Notes will, in accordance with Condition 5(d), also be subject to redemption at the option of the Issuer ("**Optional Redemption**"), in whole or in part, but in an aggregate amount of not less than £5,000,000 or, if less, the aggregate Principal Amount Outstanding of the Notes to be redeemed, on giving not less than 25 and not more than 60 day's prior notice to the Noteholders, provided that prior to giving any such notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Deed of Charge to be paid on such Interest Payment Date in priority to or *pari passu* with the Notes to be redeemed. In the event of any Optional Redemption, the Issuer will pay the relevant Noteholders such principal amount being redeemed together with interest accrued thereon and the applicable Make-Whole Amount (if any).

### **Guarantees**

The Notes will have the benefit of the guarantees (the "**Guarantees**") granted by the Charging Companies under the Deed of Charge, pursuant to which each such company will undertake to pay all amounts due in respect of the Issuer Secured Obligations (as defined in the Conditions) which are not paid by the Issuer when due. Any such payment will reduce the Borrower's liability under the Peverel/Issuer Loan Agreement *pro tanto*.

### **Security for the Notes and the Guarantees**

The Issuer's obligations under the Notes will be secured pursuant to the Deed of Charge by first ranking fixed security interests over, *inter alia*, (i) the Issuer's rights against the Borrower and each of the Charging Companies under the Peverel/Issuer Loan Agreement, (ii) the Issuer's security interests under the Borrower Debenture, (iii) the Issuer's rights against the Liquidity Facility Provider under the Liquidity Facility Agreement, (iv) the Issuer's rights against the Cash Manager under the Cash Management Agreement, (v) the Issuer's rights against the Account Bank under the Bank Agreement (as defined in the Conditions), (vi) the Issuer's rights under the Subscription Agreement (as defined in the Conditions) and (vii) the Issuer's rights against the Account Bank in respect of the Issuer Transaction Account, being the bank account into and out of which all payments to and by the Issuer under the Peverel/Issuer Loan Agreement and the Notes will be made, and over certain investments to be made from time to time by, or on behalf of, the Issuer. The Notes will also be secured by a first floating charge over all the assets and undertaking of the Issuer not effectively charged by first ranking fixed security interests under the Deed of Charge (other than the bank account into which amounts paid on subscription of the share capital of the Issuer were paid) pursuant to the Deed of Charge (such fixed and floating security, together, the "**Issuer Security**").

The Issuer's obligations under the Notes will also be secured pursuant to the Deed of Charge by a first equitable mortgage over the shares in Peverel Securitisation Limited which are held by Peverel Limited (the "**PL Security**").

Certain other obligations of the Issuer, including the amounts owing to the Note Trustee and any receiver appointed by the Note Trustee, to the Liquidity Facility Provider under the Liquidity Facility Agreement, to the Account Bank under the Bank Agreement, to the Paying Agents (as defined in the Conditions) under the Paying Agency Agreement and to the Cash Manager under the Cash



Management Agreement will also be secured by the security interests referred to above.

Each of the Charging Companies' obligations under the Guarantees will be secured pursuant to the Deed of Charge by first ranking fixed security interests over, *inter alia*, (i) its shares in any member of the Securitisation Group (other than the Optionholder) by way of equitable mortgage, (ii) its interests (present and future) in the Properties (other than any leasehold interests in respect of which the landlord's consent to charge is required, until and unless such consent is given), by way of a first fixed charge by way of legal mortgage, (iii) its right, title and interest to, in and under all present and future agreements, contracts, deeds, licences, undertakings, guarantees, covenants, warranties, representations and other documents entered into by or given to it in respect of any present or future Reversionary Interests (as defined in "Summary of Principal Documents and Bank Accounts – Principal Documents – Peverel/Issuer Loan Agreement" below), (iv) its rights, title and interests in, to and under monies standing to the credit of the Estate Accounts and the PMS Client Account (each as defined in "Summary of Principal Documents and Bank Accounts – Bank Accounts" below) in respect of Ground Rents and Transfer Fees and (v) its rights, title and interests in, to and under the Peverel Options. Each of the Guarantees will also be secured by a first floating charge over all the assets and undertaking of the relevant Charging Company not effectively charged by first ranking fixed security interests under the Deed of Charge (other than (i) any leasehold interests in respect of which the landlord's consent to charge is required, until and unless such consent is given and (ii) any shares in the Optionholder (such fixed and floating security, together with the Issuer Security and the PL Security, the "Note Security").

***Priority of payments to the Secured Creditors prior to enforcement***

On each Interest Payment Date prior to the enforcement of the Note Security, amounts standing to the credit of the Issuer Transaction Account will be applied by the Issuer in making the following payments in the following order of priority but in each case only if and to the extent that the prior ranking payments have been made in full:

*first:*

to meet the remuneration, costs and expenses of the Note Trustee (inclusive of any value added tax, which may be chargeable at the then applicable rate) and any costs, charges, liabilities, indemnity claims and expenses incurred by the Note Trustee or any receiver under the Trust Deed, the Conditions, the Deed of Charge or any of the other Finance Documents (as defined in the Conditions);

*second:*

*pro rata*, in or towards satisfaction of the fees and expenses (inclusive of any value added tax, which may be chargeable at the then applicable rate) of the Paying Agents and all amounts due in respect of other costs, charges, liabilities and expenses incurred by or owed to the Paying Agents under the provisions of the Paying Agency Agreement;

*third:*

in or towards satisfaction of all amounts due to the Liquidity Facility Provider under the Liquidity Facility Agreement, other than any sums payable in respect of the Associated Costs Rate (as defined in the Liquidity Facility Agreement);

- fourth:* in or towards satisfaction, (*pro rata* among the Class A Notes) of all amounts of interest, principal and any other amounts due but unpaid under the Class A Notes;
- fifth:* in or towards satisfaction, (*pro rata* among the Class B Notes) of all amounts of interest, principal and any other amounts due but unpaid under the Class B Notes;
- sixth:* in or towards satisfaction of amounts due to the Liquidity Facility Provider in respect of the Associated Costs Rate;
- seventh:* in or towards making a provision equivalent to 0.005 per cent. of the then Principal Amount Outstanding of the Notes (disregarding the payments to be made at such time under *fourth* and *fifth* above); and
- eighth:* the balance (if any) be available for the general corporate purposes of the Issuer (including payment of dividends), without limitation.

**Priority of Payments to the Secured Creditors post enforcement**

On enforcement of the Note Security, the Note Trustee is required to apply monies available for distribution in or towards the satisfaction of the following amounts in the following order of priority:

- first:* to meet the remuneration, costs and expenses of the Note Trustee (inclusive of any value added tax, which may be chargeable at the then applicable rate) and any costs, charges, liabilities, indemnity claims and expenses incurred by the Note Trustee or any receiver under the Trust Deed, the Conditions, the Deed of Charge or any of the other Finance Documents;
- second:* *pro rata*, in or towards satisfaction of the fees and expenses (inclusive of any value added tax, which may be chargeable at the then applicable rate) of the Paying Agents and all amounts due in respect of other costs, charges and liabilities and expenses incurred by or owed to the Paying Agents under the provisions of the Paying Agency Agreement;
- third:* in or towards payment of amounts due but unpaid to the Liquidity Facility Provider under the Liquidity Facility Agreement, other than any sums payable in respect of the Associated Costs Rate;
- fourth:* in or towards payment, (*pro rata* among the Class A Notes) of all amounts of interest, principal and any other amounts due but unpaid in respect of the Class A Notes;
- fifth:* in or towards payment, (*pro rata* among the Class B Notes) of all amounts of interest, principal and any other amounts due but unpaid in respect of the Class B Notes;
- sixth:* in or towards satisfaction of amounts due to the Liquidity Facility Provider in respect of the Associated Costs Rate;
- seventh:* in or towards making a provision equivalent to 0.005 per cent. of the then Principal Amount Outstanding of the Notes (disregarding the payments to be made at such time under *fourth* and *fifth* above); and
- eighth:* the balance (if any) to the Issuer or other persons entitled thereto.

**Further Issues**

The Issuer will be entitled (but not obliged) at its option on any Interest Payment Date, without consent of the Noteholders, to raise further funds by the creation of Further Notes (as defined in the Conditions).

It shall be a condition precedent to the issue of any Further Notes that, *inter alia*:

- (a) such Further Notes are assigned the same ratings as are then applicable to the relevant class of Notes then outstanding;
- (b) the ratings of each class of Notes then outstanding are not adversely affected as a result of such issue of Further Notes;
- (c) an amount equal to the aggregate principal amount of such Further Notes will be on-lent by the Issuer to the Borrower pursuant to the provisions of the Peverel/Issuer Loan Agreement (see "Summary of Principal Documents and Bank Accounts – Principal Documents – Peverel/Issuer Loan Agreement" below); and
- (d) a new liquidity facility agreement has been entered into or the existing liquidity facility agreement has been amended accordingly.

**Post Enforcement Call Option**

On the Closing Date, an option (the "Option") will be granted to the Optionholder pursuant to a post enforcement call option (the "Post Enforcement Call Option") between the Issuer, the Optionholder and the Note Trustee as agent for the Noteholders. For further information regarding the Post Enforcement Call Option, see Condition 5(j).

**Liquidity Facility**

On the Closing Date, the Liquidity Facility Provider will grant the Liquidity Facility (as defined in "Credit Structure – Resources available to the Issuer – Liquidity Facility" below) to the Issuer pursuant to the Liquidity Facility Agreement (as defined in the Conditions). For further information regarding the Liquidity Facility Agreement, including the circumstances under which drawings may be made thereunder and the conditions to such drawings, see "Credit Structure – Resources available to the Issuer" below.

**Peverel/Issuer Loan Agreement**

For further details of the Peverel/Issuer Loan Agreement, see "Summary of Principal Documents and Bank Accounts – Principal Documents – Peverel/Issuer Loan Agreement" below.

**Priority of Payments to the Borrower Secured Creditors prior to enforcement**

On each Loan Payment Date prior to the enforcement of the security under the Borrower Debenture, amounts standing to the credit of the PPL Account (as defined below) will be applied by the Borrower in making the following payments in the following order of priority but in each case only if and to the extent that the prior ranking payments have been made in full:

*first:*

*pro rata* to meet the remuneration, costs and expenses of the Security Trustee (inclusive of any value added tax, which may be chargeable at the then applicable rate) and any costs, charges, liabilities, indemnity claims and expenses incurred by the Security Trustee or any receiver under the Borrower Debenture;

- second:* to meet the remuneration, costs and expenses (inclusive of any value added tax, which may be chargeable at the then applicable rate) of the Cash Manager under the Cash Management Agreement;
- third:* in or towards satisfaction, of all amounts of interest, principal and other amounts due but unpaid to the Issuer in respect of the Class A Advance (as defined in "Summary of Principal Documents and Bank Accounts – Principal Documents – Peverel/Issuer Loan Agreement" below);
- fourth:* in or towards satisfaction, of all amounts of interest, principal and other amounts due but unpaid to the Issuer in respect of the Class B Advance (as defined in "Summary of Principal Documents and Bank Accounts – Principal Documents – Peverel/Issuer Loan Agreement" below) and any other amounts due but unpaid to the Issuer under the Peverel/Issuer Loan Agreement;
- fifth:* if the Notes are not redeemed in full on the Scheduled Redemption Date then from that date in or towards making provision for the repayment or refinancing of the Principal Amount Outstanding (as defined in the Conditions) of the Notes together with the amount of any interest payable thereon;
- sixth:* in or towards payment of amounts (if any) then due and payable under the Borrower Voluntary Loans (as defined in "Borrower Voluntary Loan Agreement" below), other than any amounts included in *eighth* below;
- seventh:* in or towards crediting the Cash Reserve Account (as defined below) until the amount credited to such account is equal to the Cash Reserve Required Amount (as defined in "Summary of Principal Documents and Bank Accounts – Principal Documents – Borrower Subordinated Loan Agreement" below);
- eighth:* in or towards payment of amounts (if any) then due and payable under the Borrower Voluntary Loans made to the Borrower for the purpose of (i) acquiring (directly or indirectly) interests in Properties or (ii) satisfying (directly or indirectly) any Obligor's liability to tax;
- ninth:* in or towards payment of any amounts then due but unpaid under the Borrower Subordinated Loan Agreement (as defined in the Conditions);
- tenth:* in or towards satisfaction of any Obligor's liability to tax under Section 179 of the Taxation of Chargeable Gains Act 1992 or provision for potential VAT liability; and
- eleventh:* the balance (if any) to be available for the general corporate purposes of the Borrower (including payment of dividends), without limitation.

***Priority of Payments to the Borrower Secured Creditors post enforcement***

- first:* *pro rata* to meet the remuneration, costs and expenses of the Security Trustee (inclusive of any value added tax, which may be chargeable at the then applicable rate) and any costs, charges, liabilities, indemnity claims and

expenses incurred by the Security Trustee or any receiver under the Borrower Debenture;

*second:* in or towards satisfaction of all amounts due to be paid by the Borrower to the Cash Manager under the Cash Management Agreement;

*third:* in or towards satisfaction of all amounts of interest, principal and any other amounts due but unpaid to the Issuer in respect of the Class A Advance;

*fourth:* in or towards satisfaction of all amounts of interest, principal and any other amounts due but unpaid to the Issuer in respect of the Class B Advance and any other amounts due but unpaid to the Issuer under the Peverel/Issuer Loan Agreement;

*fifth:* *pro rata*, in or towards payment of any amounts then due but unpaid under the Borrower Subordinated Loan Agreement and the Borrower Voluntary Loan Agreements; and

*sixth:* the balance (if any) to the Borrower or other persons entitled thereto.

**Security for the Peverel/Issuer Loan Agreement** The obligations of the Borrower under the Peverel/Issuer Loan Agreement will be secured over all the property, undertaking and assets of the Borrower (such security being the "**Borrower Security**") (see "Summary of Principal Documents and Bank Accounts – Principal Documents – Borrower Debenture" below).

**Property Management Agreement** Pursuant to the provisions of the Property Management Agreement (as defined in the Conditions), Peverel Management Services Limited and O.M. Management Services Limited have agreed to perform various property management services. In return for the services provided, each of Peverel Management Services Limited and O.M. Management Services Limited will receive fees payable by the relevant Property Charging Companies. The Leases provide that the Tenants must make service charge payments to or for the benefit of the Property Charging Companies or the relevant Managing Agent in respect of such fees. The Managing Agents have also undertaken to use their best endeavours to collect Ground Rents and Transfer Fees (without, however, being obliged themselves to pay any such amounts or any costs of collection thereof). For further information regarding the Property Management Agreements, see "Summary of Principal Documents and Bank Accounts – Principal Documents – Property Management Agreements" below.

**Option Income Shortfall Loan** On the Closing Date, Peverel Holdings Limited will make an unsecured, interest-free and subordinated loan (the "**Option Income Shortfall Loan**") to the Borrower in the amount of £1,068,750 pursuant to the Option Income Shortfall Loan Agreement (as defined in the Conditions). For further information regarding the Option Income Shortfall Loan Agreement, see "Summary of Principal Documents and Bank Accounts – Principal Documents – Option Income Shortfall Loan Agreement" below.

**Borrower Subordinated Loan** On the Closing Date, the Subordinated Loan Provider will make a subordinated loan to the Borrower in the amount of £1,700,000 pursuant to the Borrower Subordinated Loan Agreement. For further information regarding the Borrower

Subordinated Loan Agreement, see “Summary of Principal Documents and Bank Accounts – Principal Documents – Borrower Subordinated Loan” below.

**Cash Management Agreement**

Pursuant to the provisions of the Cash Management Agreement (as defined in the Conditions), the Cash Manager has agreed to perform various services including the provision of the cash management services to the Borrower and the Issuer and the application of monies standing to the credit of the PPL Account, the Options Exercise Account, the Further Acquisitions Account (as defined in “Further Acquisitions Account” below), the Option Income Shortfall Account (as defined in “Option Income Shortfall Account” below), the Suspended Advances Account, the Stamp Duty Reserve Account, the Cash Reserve Account, the account in the name of the Borrower known as the “Working Capital Account” (the “**Working Capital Account**”) (together, the “**Borrower Bank Accounts**”) and the Issuer Transaction Account. In return for the services provided, the Cash Manager will receive fees payable by the Borrower. For further information regarding the Cash Management Agreement, see “Summary of Principal Documents and Bank Accounts – Principal Documents – Cash Management Agreement” below.

**Bank Agreement**

Pursuant to the provisions of the Bank Agreement, the Account Bank will maintain the Borrower Bank Accounts and the Issuer Transaction Account. The Account Bank will covenant, *inter alia*, not to exercise any rights of set-off or consolidation in respect of such accounts. For further information regarding the Bank Agreement, see “Summary of Principal Documents and Bank Accounts – Principal Documents – Bank Agreement” below.

**Borrower Voluntary Loan Agreement**

Pursuant to the Borrower Voluntary Loan Agreement, each of Peverel Limited and Peverel Holdings Limited (the holding company of Peverel Limited) will be entitled (but not obliged) to make loans of additional amounts (the “**Borrower Voluntary Loans**”) to the Borrower from time to time after the Closing Date on an interest-free and subordinated basis, repayable in accordance with “Priority of Payments to the Borrower Secured Creditors prior to enforcement” above. Such amounts may be advanced for specific purposes and shall be applied accordingly, in which event they may be repaid as described in “Summary of Principal Documents and Bank Accounts – Peverel/Issuer Loan Agreement – Other Covenants” below.

**Cash Reserve Account**

The Borrower will deposit £1,700,000, being the proceeds of the Borrower Subordinated Loan (as defined in “Summary of Principal Documents and Bank Accounts – Principal Documents – Borrower Subordinated Loan Agreement” below), in a separate cash reserve account in the name of the Borrower with the Account Bank (the “**Cash Reserve Account**”) and such proceeds (less any amounts transferred from the Cash Reserve Account from time to time in the manner described below) will, together with any other amounts from time to time standing to the credit of such account, be available to supplement Ground Rent and Transfer Fee income for the purpose of paying amounts due to the Issuer under the Peverel/Issuer Loan.

On each Loan Payment Date, to the extent required and available in the PPL Account, additional amounts shall be deposited in the Cash Reserve Account

until the balance on the Cash Reserve Account at such time is equal to £1,700,000 or such other amount as is equal to the Cash Reserve Required Amount (as defined in "Summary of Principal Documents and Bank Accounts – Bank Accounts – Cash Reserve Account" below).

If, on any Loan Payment Date, the amount standing to the credit of the Cash Reserve Account is greater than the Cash Reserve Required Amount, an amount equal to the lesser of (i) such surplus and (ii) £100,000, shall be transferred to the PPL Account and applied in accordance with the order of priorities set out above in "Priority of Payments to the Borrower Secured Creditors prior to enforcement", provided that, if on such date the Ground Rent/Debt Service Ratio (as defined in "Summary of Principal Documents and Bank Accounts – Principal Documents – Cash Reserve Account" below) is greater than 1.05 or the aggregate Transfer Fees credited to the PPL Account in each of the two preceding twelve month periods are greater than £1,000,000, then the whole of such surplus shall be so transferred to the PPL Account.

The Borrower may, at any time, apply monies credited to the Cash Reserve Account in satisfaction of any liability of the Borrower or any Charging Company to tax pursuant to Section 179 of the Taxation of Chargeable Gains Act 1992.

**Options Exercise Account** On the Closing Date, £5,050,000 of the Discounted Advances will be placed in the Options Exercise Account. Subject to satisfying certain conditions precedent (as more particularly described in "Summary of Principal Documents and Bank Accounts – Principal Documents – Peverel/Issuer Loan Agreement"), the Borrower may, at any time before the Loan Payment Date falling in May 2002, make withdrawals from the Options Exercise Account for the purpose of funding, directly or indirectly (via loans to the relevant Property Charging Company(ies)), any of the following:

- (i) the exercise by a Property Charging Company of one or more of the Peverel Options to acquire freehold or long leasehold reversionary interests in properties (such properties relating to any such acquisition, the "**Option Properties**") subject to the leases applicable thereto (the "**Option Leases**"); and
- (ii) the acquisition by one or more Property Charging Companies (such funded (in whole or in part) acquisition, the "**Replacement Option Acquisition**") of freehold or long leasehold reversionary interests in properties which are not the subject of Peverel Options (such properties relating to such acquisition, the "**Replacement Option Properties**", and the term "Property" shall be deemed, where the context admits, to include the Option Properties and the Replacement Option Properties after acquisition thereof) subject to leases which are in all material respects, taken in aggregate, no less favourable than the Option Leases (the "**Replacement Option Leases**", and the term "Leases" shall be deemed to include, where the context admits, the Replacement Option Leases and the Option Leases, in each case, in respect of which a Property Charging Company becomes the landlord), provided that only one Replacement Option Acquisition of Replacement Option Properties may be made.

The consideration in respect of the Replacement Option Acquisition may be satisfied in part by the assignment by Property Charging Companies of unexercised Peverel Options or other options of like nature (see further "Summary of Principal Documents and Bank Accounts – Principal Documents – Peverel/Issuer Loan Agreement – Other Covenants").

No withdrawal may be made from the Options Exercise Account to fund in part (directly or indirectly) any Peverel Acquisition (as defined in "Further Acquisitions Account" below).

If all the Peverel Options are exercised, the Option Properties are expected to generate an annual ground rent stream of approximately £475,000, based on present ground rents. Details of the Peverel Options are set out in the section "Information on the Property Portfolio" below.

On the Loan Payment Date falling in May 2002, the balance (if any) of the Options Exercise Account on such date will be transferred to the Further Acquisitions Account.

With respect to 19 properties (which are the subject of Peverel Options and which presently generate an annual ground rent of £55,050), an escrow account was funded by part of the consideration due to the original sellers of O.M. Limited. Peverel Investments is entitled to receive specified amounts from such escrow account if the tenants of any of a specified list of such properties exercise pre-emption rights (as described below) in relation to the acquisition of those properties before 17 March 2001. Any such receipts (the "**Escrow Account Receipts**") will be credited to the Options Exercise Account and dealt with as set out above. If such tenants do not exercise such pre-emption rights, the allocated reserve amount will be released to the original sellers of O.M. Limited as deferred consideration.

#### **Further Acquisitions Account**

Any Capital Receipts (as defined in "Credit Structure – Resources available to the Borrower – Receipts of Capital Payments" below) will be credited to an account in the name of the Borrower maintained at the Account Bank known as the "Further Acquisitions Account" (the "**Further Acquisitions Account**") in addition to any monies (the "**Transferred Monies**") transferred thereto out of the Options Exercise Account (see "Options Exercise Account" above), the Suspended Advances Account (see "Suspended Advances Account" below) or the Option Income Shortfall Account (see "Option Income Shortfall Account" below).

The Borrower may make withdrawals from the Further Acquisitions Account for the purpose of funding, directly or indirectly (via a loan to a Property Charging Company), the acquisition by a Property Charging Company (each such funded acquisition, a "**Peverel Acquisition**") of freehold or long leasehold reversionary interests in further properties which are not the subject of Peverel Options (such properties relating to any such acquisition, the "**Acquisition Properties**" and the term "Property" shall be deemed, where the context admits, to include the Acquisition Properties after acquisition thereof) which are subject to leases (the "**Acquisition Leases**" and the term "Leases" shall be deemed, where the context admits, to include the Acquisition Leases in respect of which a Property Charging Company becomes the landlord).



No withdrawal may be made from the Further Acquisitions Account to fund in part (directly or indirectly) the Replacement Option Acquisition.

Any Capital Receipts credited to the Further Acquisitions Account will (subject as provided below) be used to make Peverel Acquisitions to generate, as nearly as possible, a ground rent income stream equivalent to the ground rent income stream of the property interests to which such Capital Receipts are referable.

On the Loan Payment Date falling in May 2002 and every Loan Payment Date thereafter, the Cash Manager shall determine the Ground Rent/Debt Service Ratio. If, on any such date, the Ground Rent/Debt Service Ratio so determined exceeds 1.05, the total balance held in the Further Acquisitions Account on such date of determination will be transferred to the PPL Account (as defined in "Summary of Principal Documents and Bank Accounts – Bank Accounts – PPL Account" below) and applied in accordance with the order of priorities set out in "Summary Information – Principal Characteristics of the Notes – Priority of payments to the Borrower Secured Creditors prior to enforcement" below. If such Ground Rent/Debt Service Ratio is less than or equal to 1.05, an amount equal to the amount standing to the credit of the Further Acquisitions Account (less any amounts credited thereto during the preceding two years other than any Transferred Monies) will be utilised by the Borrower in partial repayment of the Advances (as defined in "Summary of Principal Documents and Bank Accounts – Principal Documents – Peverel/Issuer Loan Agreement" below) and by the Issuer in partial redemption of the Notes, provided that such net amount is not less than £500,000. If such amount is less than £500,000, it will remain in the Further Acquisitions Account on such Loan Payment Date.

#### Suspended Advances Account

In relation to 12 of the Properties (which presently generate an aggregate Ground Rent income stream of £99,251), the relevant Property Charging Companies have not yet been registered at the Land Registry as the proprietors of freehold or long leasehold interests therein, although applications for such registrations have been made and are at various stages. In relation to 3 long leasehold interests identified on the Reversionary Leasehold Matrix (as described in "Information on the Property Portfolio – Property Due Diligence – Reversionary Leasehold Matrix" below) (which presently generate an aggregate Ground Rent income stream of £21,250), the landlord's consent to charge such interests pursuant to the Deed of Charge ("**Landlord's Consent**") is required and has not yet been obtained. On the Closing Date, £2,124,168 will be deposited by the Borrower in the Suspended Advances Account. Upon satisfactory evidence (the "**Evidence of Title**") (prepared by the Borrower's solicitors) (substantially in the form of the Property Due Diligence Matrix) that the title of the relevant Property Charging Company in relation to any of such Properties has been duly registered and is in all material respects no less favourable than that shown in the Property Due Diligence Matrix in relation to the other Properties, being produced to the Security Trustee, or upon any Landlord's Consent being delivered to the Security Trustee (as the context requires), the Borrower will be required to apply the relevant portion of the amount held in the Suspended Advances Account in satisfaction, in whole or part, of amounts due by it in respect of the contingent consideration or deferred consideration payable by it to members of the Peverel Group (outside the

Securitisation Group) as part of the consideration in respect of the sale to the Borrower of the shares in the relevant Borrower Subsidiaries as referred to above. To the extent that any amounts remain in the Suspended Advances Account on the Loan Payment Date falling in May 2002, such amounts will be transferred to the Further Acquisitions Account, to be dealt with as described above.

**Option Income Shortfall Account**

On the Closing Date, the Borrower will deposit the proceeds of the Option Income Shortfall Loan in an account in the name of the Borrower with the Account Bank (the "**Option Income Shortfall Account**"). Such proceeds will be available, to pay any liability of the Borrower or any Charging Company to tax pursuant to Section 179 of the Taxation of Chargeable Gains Act 1992 and to supplement ground rent payments received by or on behalf of the Property Charging Companies in respect of the Option Leases and the Replacement Option Leases (the "**New Properties Income**"). For further information regarding the Option Income Shortfall Account, see "Summary of Principal Documents and Bank Accounts – Bank Accounts – Option Income Shortfall Account" below. For further information regarding the Option Income Shortfall Loan Agreement, see "Summary of Principal Documents and Bank Accounts – Principal Documents – Option Income Shortfall Loan Agreement" below.

**Stamp Duty Reserve Account**

On the Closing Date, the Borrower will deposit £325,256 in the Stamp Duty Reserve Account. Such amount will be available to discharge any liability to pay stamp duty in respect of the transfer of shares in the Borrower Subsidiaries to the Borrower. Upon an adjudication being given by the Inland Revenue as to whether or not such stamp duty is payable, and a copy of the relevant adjudicated documents being delivered to the Security Trustee, the Borrower will be required to apply the balance of the Stamp Duty Reserve Account (less any amount of stamp duty which is required to be paid in accordance with such adjudication and which has not been paid to the Inland Revenue by any person) in or towards satisfaction of the consideration payable to members of the Peverel Group (outside the Securitisation Group) in respect of the sale of the shares in the Borrower Subsidiaries to the Borrower.

**Working Capital Account**

From each date that the Security Trustee confirms to the Managing Agents that it has received a Cash Manager Certificate (as defined below) to (but excluding) the next following Loan Payment Date, all Ground Rents and Transfer Fees shall be transferred from the PMS Client Account and the Estate Accounts (each as defined in "Summary of Principal Documents and Bank Accounts – Bank Accounts" below) to the Working Capital Account in accordance with the Property Management Agreement. For further information regarding the Working Capital Account, see "Summary of Principal Documents and Bank Accounts – Bank Accounts – Working Capital Account" below.

"**Cash Manager Certificate**" means a written notice by the Cash Manager that the amounts credited to the PPL Account are equal to or greater than the aggregate amount reasonably expected to be payable on the next following Loan Payment Date under *first to tenth* (inclusive) of "Peverel/Issuer Loan Agreement

– Priority of Payments to the Borrower Secured Creditors prior to enforcement” above.

**Rating**

The Class A Notes are expected, on issue, to be assigned an AAA rating by each of S&P and DCR. The Class B Notes are expected, on issue, to be assigned a BBB rating by each of S&P and DCR. 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 the assigning rating organisation.

**Listing**

Application has been made to list the Notes on the Luxembourg Stock Exchange.

**Governing Law of the Notes**

English

## SUMMARY OF PRINCIPAL DOCUMENTS AND BANK ACCOUNTS

*The following is intended only to be a summary of certain provisions of the documents relating to the Peverel/Issuer Loan Agreement and the Notes and the relevant bank accounts.*

### Principal Documents

#### *Peverel/Issuer Loan Agreement*

Under the terms of the Peverel/Issuer Loan Agreement, the Issuer will agree to make available to the Borrower on the Closing Date the facilities as described below.

#### *The Advances*

Under the terms of the Peverel/Issuer Loan Agreement, subject to satisfaction of certain conditions precedent (as described below), the Issuer will agree to make the Discounted Advances to the Borrower. On the Closing Date, £93,941,286 of the Discounted Advances will be applied by the Borrower (i) to pay the initial cash consideration due by it to the relevant members of the Peverel Group (outside the Securitisation Group) as initial consideration for the sale by them to the Borrower of the entire issued share capital of the Borrower Subsidiaries, (ii) to make the Inter-Company Loans (as defined in "Summary Information – Transaction Overview – Loan Facility" above) and (iii) to meet certain expenses in connection with the issue of the Notes and related transactions. The amount of the Discounted Advances not applied as aforesaid on the Closing Date will be held in the Options Exercise Account in respect of £5,050,000, in the Suspended Advances Account in respect of £2,124,168 and in the Stamp Duty Reserve Account in respect of £325,256. These accounts are fully described below (see "Summary of Principal Documents and Bank Accounts – Bank Accounts").

The Issuer's rights and interests in the Peverel/Issuer Loan Agreement and the Borrower Debenture described below will be its principal assets.

#### *Repayment*

A principal amount of £100,000,000 (the "**Class A Advance**") will be repayable in part in instalments on each Loan Payment Date commencing on the Loan Payment Date falling in May 2008 to the Loan Payment Date falling in November 2034 as set out in a schedule (subject to adjustment upon any prepayment (see "Prepayment" below) or Further Advances (see "Further Advances" below)) to the Peverel/Issuer Loan Agreement. The outstanding principal in respect of the Class A Advance will be repayable on the Loan Payment Date falling in November 2036. A principal amount of £3,000,000 (the "**Class B Advance**", together with the Class A Advance, the "**Advances**") will be repayable in whole on the Loan Payment Date falling in November 2036. In this Offering Circular, a "**Scheduled Principal Payment**" means the aggregate amount of principal payable on the Advances on each Loan Payment Date.

Any amount paid by a Charging Company under the Guarantees will reduce the Borrower's liability under the Peverel/Issuer Loan Agreement *pro tanto*.

#### *Prepayment*

The Borrower may at any time, on giving not less than 35 days' prior notice to the Issuer, prepay monies outstanding under the Advances, in whole or in part (but not less than £5,000,000), save as otherwise provided herein (see "Further Acquisitions Account" below), provided that no amount of the Class B Advance may be so prepaid until all of the Class A Advance has been repaid in full. Upon any such prepayment of principal, the Borrower shall also pay the Issuer any accrued interest thereon and any additional amount ("**Additional**

**Amount**") equal to the Make-Whole Amount which the Issuer would incur in applying such monies to be prepaid in mandatory partial redemption of the Notes in accordance with the Conditions.

In addition, in certain circumstances the Borrower will be obliged to apply monies in prepayment in part of amounts outstanding under the Peverel/Issuer Loan (see "Bank Accounts – Further Acquisitions Account" and "Bank Accounts – Options Exercise Account" below). Such monies will be applied first in prepayment of the Class A Advance until the Class A Advance is repaid in full, and then in prepayment of the Class B Advance, in each case together with any accrued interest on such amounts and any applicable Additional Amount). Any such amounts shall be applied by the Issuer to effect a partial redemption of the Notes in accordance with Condition 5.

Any amount prepaid in respect of the Class A Advance or the Class B Advance prior to the Loan Payment Date on which that amount is due and payable will reduce *pro rata* the amount(s) due on the succeeding Loan Payment Dates in respect of that Advance and references in this Offering Circular to a "Scheduled Principal Payment" or to a "Scheduled Payment" shall include references to such amounts recalculated as aforesaid.

### *Interest*

Interest on the Advances will be payable on each Loan Payment Date at the relevant Loan Rate of Interest.

**"Loan Rate of Interest"** means:

- (a) in respect of the Class A Advance, 6.07 per cent. per annum; and
- (b) in respect of the Class B Advance, 7.36 per cent. per annum.

Interest on the Advances payable on a particular Loan Payment Date together with the Scheduled Principal Payment payable on such date is herein referred to as the **"Scheduled Payment"**.

Where any amount of the Scheduled Payment has not been received by the Issuer on or before the relevant Loan Payment Date, such sum shall bear interest as follows:

- (a) in respect of an amount equal to the lesser of the unpaid sum and the amount of any outstanding drawings under the Liquidity Facility Agreement, at such a rate per annum so that such interest equals the Issuer's cost of borrowing such amount under the Liquidity Facility Agreement; and
- (b) in respect of the amount (if any) by which the unpaid sum exceeds the amount of any outstanding drawings under the Liquidity Facility Agreement, at the rate per annum which is one per cent. above the relevant Loan Rate of Interest,

from and including the relevant Loan Payment Date up to but excluding the date on which the relevant amount is received by the Issuer, calculated on a daily basis.

The Borrower will also pay, by way of indemnity, lending fee or otherwise, on each Loan Payment Date, such amounts as are necessary to pay or provide for any outstanding liabilities of the Issuer.

All payments of principal and interest and any other amounts in respect of the Peverel/Issuer Loan will be made free and clear of, and without withholding or deduction for, tax (if any) applicable to the Peverel/Issuer Loan in the United Kingdom or the Cayman Islands, unless such withholding or deduction is required by law. In that event, the Borrower will be obliged to pay such additional amounts as will result in the receipt by the Issuer of such amounts as would have been received by it if no such withholding or deduction had been required.

### *Representations*

No independent investigation with respect to the matters warranted in the Peverel/Issuer Loan Agreement will be made by the Issuer, the Security Trustee or the other Borrower Secured Creditors. In relation to such matters,

the Borrower Secured Creditors (including the Issuer and the Security Trustee) will rely entirely on the representations and warranties to be given by the Obligor which will be contained in the Peverel/Issuer Loan Agreement. These will include warranties, which will in certain cases be limited by a knowledge and/or materiality qualification, as to the following and other matters:

- (a) status and due incorporation of each Obligor;
- (b) legal validity and enforceability of the Finance Documents;
- (c) the giving of all necessary governmental and other consents, approvals, licences and authorisations necessary for each Obligor to carry on its business;
- (d) the ownership of the issued share capital of each Obligor;
- (e) that no litigation, arbitration, administrative proceedings, or governmental or regulatory investigations, proceedings or disputes have been commenced or threatened against any Obligor or any of its respective assets or revenues;
- (f) that no encumbrances exist over all or any of each Obligor's present or future revenues, undertakings or assets, other than certain permitted encumbrances;
- (g) that no default has occurred and is continuing under the Peverel/Issuer Loan Agreement; and
- (h) each Finance Document creates the security interest which it purports to create and the claims of the Borrower Secured Creditors against each Obligor will rank at least *pari passu* with all other obligations of such Obligor, except for obligations mandatorily preferred by law applying to companies generally.

Certain of the representations and warranties will also be repeated on each Loan Payment Date, by reference to the facts and circumstances then existing and subject to the effect of breach being in some cases limited by reference to an awareness or materiality qualification.

Breach of representations or warranties will, subject to a cure period and the qualification in relation to repetition set out above, constitute an event of default entitling the Issuer or the Security Trustee to accelerate the Peverel/Issuer Loan and the Security Trustee to enforce the Borrower Debenture.

#### *Conditions Precedent to the making of the Discounted Advances*

It will be a condition precedent to the Issuer making the Discounted Advances available to the Borrower that the Security Trustee is satisfied on the Closing Date that, *inter alia*:

- (a) The Notes are issued and the subscription proceeds therefor are received by or on behalf of the Issuer;
- (b) delivery is made of certified copies of all resolutions, statutory declarations, comfort letters and other documents required to ensure that the entry into by the Borrower and the Charging Companies of the Finance Documents to which they are a party does not and will not constitute the unlawful giving of financial assistance under the Companies Act 1985;
- (c) deeds of release and discharge are duly executed in respect of all the existing security affecting the Properties or any of them;
- (d) delivery is made of solvency certificates from each of the Borrower and the Charging Companies; and
- (e) each of the Finance Documents is duly executed by the parties thereto.

*Conditions Precedent in relation to the exercise of a Peverel Option, the Replacement Option Acquisition or a Peverel Acquisition*

The following conditions precedent (the “**Further Conditions Precedent**”), *inter alia*, must be satisfied in order for the Borrower to draw monies from the Options Exercise Account or Further Acquisitions Account to finance (directly or indirectly) the exercise of a Peverel Option, the Options Replacement Acquisition or a Peverel Acquisition:

(a) *Corporate Approvals*

A duly authorised officer of the relevant Obligor will be required to provide the relevant board approvals authorising entry into (i) a Peverel Option, (ii) the Replacement Option Acquisition or (iii) a Peverel Acquisition (as applicable) (including the approval of entry by the relevant Charging Company into a supplemental debenture which is expressed to create a first equitable mortgage over the relevant property interest(s)), a solvency certificate and other related documents.

(b) *Properties Generally*

- (i) Title investigations by the Borrower’s solicitors (to be prepared substantially in the form of the Property Due Diligence Matrix) in respect of the Reversionary Interests (as defined below) to be acquired do not reveal any material defects in title;
- (ii) all of the properties in respect of the Reversionary Interests to be acquired must be fully let (other than any Warden’s Apartment forming part thereof); and
- (iii) delivery of confirmation that the properties to be acquired are and will be adequately insured.

(c) *Properties Specifically*

- (i) In respect of any Peverel Acquisition, the relevant Reversionary Interests are (i) acquired at market value and (ii) subject to leases which provide as nearly as practicable in the then prevailing market conditions for a ground rent income stream equivalent to that produced by the Reversionary Interests from which the proceeds to be applied in making such Peverel Acquisition were derived (see further, “Further Acquisitions Account” below); and
- (ii) in respect of the Replacement Option Acquisition, the aggregate annual ground rent payable to the Property Charging Companies under the Replacement Option Leases is not less than the Proportional Unexercised Option Income (as defined below).

“**Proportional Unexercised Option Income**” means an amount equal to the Unexercised Option Income immediately prior to the Replacement Option Acquisition multiplied by the fraction the numerator of which is the amount to be withdrawn from the Options Exercise Account to finance the Replacement Option Acquisition and the denominator of which is the amount standing to the credit of the Options Exercise Account immediately prior to the Replacement Option Acquisition.

“**Reversionary Interest**” means any freehold or long leasehold reversionary interest in a property.

“**Unexercised Option Income**” means, at any time, the aggregate annual ground rent which is payable to the holder(s) of the Unexercised Option Interests (as defined below) in respect of the Unexercised Option Interests, assuming full letting.

“**Unexercised Option Interests**” means the Reversionary Interests which are the subject of Peverel Options which are not exercised at the time of the Replacement Option Acquisition.

### *Other Covenants*

Each Obligor will undertake not to dispose of or to create any encumbrance over any of its assets without the prior written consent of the Security Trustee (other than as expressly permitted in the Peverel/Issuer Loan Agreement or required by law). Certain disposals of such assets will be permitted in the following circumstances:

- (a) Any Obligor's interest in any Peverel Option or other option of like nature which is not exercised by such Obligor before the Loan Payment Date falling in May 2002 may be disposed of or distributed by way of dividend *in specie* (to the extent permitted by law and the terms of the relevant option) by such Obligors and any other Obligor.
- (b) Any Obligor's interest in any unexercised Peverel Option or other option of like nature may at any time before the Loan Payment Date falling in May 2002 be disposed of (to the extent permitted by law and the terms of the relevant option) as part of the consideration in respect of the Replacement Option Acquisition.
- (c) Any Option Reversionary Interest (as defined below) acquired by a Property Charging Company after the Loan Payment Date falling in May 2002 by the utilisation (directly or indirectly) of a Borrower Voluntary Loan (and not otherwise) may be disposed of or distributed by way of dividend *in specie* by the relevant Charging Company and any other Obligor or transferred to the lender in satisfaction of the relevant Borrower Voluntary Loan.

**"Option Reversionary Interest"** means, at any time, any Reversionary Interest which was acquired by a Property Charging Company by the exercise of a Peverel Option or an option of like nature.

- (d) The Property Charging Companies shall, subject to the provisions of the Leases and general law, have the right to grant a leasehold interest in any Warden's Apartment to any person (including, without limitation, any member of the Peverel Group (outside the Securitisation Group)).
- (e) Any Reversionary Interests in Properties in respect of which (i) monies are deposited into the Suspended Advances Account on the Closing Date and (ii) Evidence of Title or Landlord's Consent (as the context requires) has not been produced to the Security Trustee before the Loan Payment Date falling in May 2002, may be disposed of or distributed by way of dividend *in specie* by the relevant Property Charging Company or any other Obligor or transferred to the relevant members of the Peverel Group (outside the Securitisation Group), to the extent permitted by law (including by way of satisfaction, in whole or part, of amounts due by the Borrower in respect of the contingent consideration or deferred consideration payable by it in respect of the sale to the Borrower of the shares in the relevant Borrower Subsidiaries as referred to above or of amounts due by any Obligor to the Borrower in respect of the Inter-Company Loans).
- (f) Subject to the satisfaction of certain conditions precedent, any Reversionary Interests in Properties may be exchanged by any Obligor for other Reversionary Interests in properties (the **"Substitute Properties"**), which are subject to leases (the **"Substitute Leases"**) (such an exchange, a **"Substitution"** and such Reversionary Interests thereby acquired by such Obligor, the **"Substitute Interests"**), provided that (i) the aggregate Ground Rent payable to the relevant Property Charging Company in respect of any Substitute Interests is not less than the aggregate Ground Rent under the Leases in respect of the Reversionary Interests so exchanged therefor, (ii) any loss of Transfer Fees or lower uplift in Ground Rents reasonably expected as a result of any Substitution is compensated for by the amount of Ground Rent payable under, or other terms of, the relevant Substitute Leases, (iii) any Substitution which would result in the Cumulative Substitution Income (as defined below) exceeding 5% of the aggregate Ground Rent under the Leases at the time of such Substitution will only be permitted if the Rating Agencies have notified the Security Trustee in writing that the ratings of each class of Notes then outstanding will not be adversely affected as a result of such Substitution (such notification, a **"Rating Agency Notice"**) and (iv) receipt by the Note Trustee of a legal opinion (satisfactory to the Note Trustee) that, upon the relevant Substitution, (a) the security under the Deed of Charge (other than any released security) will remain valid and binding and will



not be prejudiced in any way by such substitution and (b) the relevant Substitute Interests will be charged in favour of the Note Trustee pursuant to the Deed of Charge.

“**Cumulative Substitution Income**” means, at any time, the aggregate Ground Rent payable to the Property Charging Companies in respect of the Substitute Interests acquired by Property Charging Companies since the later of (i) the Closing Date and (ii) the last Substitution in respect of which a Rating Agency Notice was required (if any).

For the purposes of this Offering Circular, the term “Property” shall be deemed, where the context admits, to include the Substitute Properties after acquisition thereof, and the term “Leases” shall be deemed to include the Substitute Leases in respect of which a Property Charging Company becomes a landlord.

- (g) Any Reversionary Interest in a Property may be transferred by a Property Charging Company to another member of the Securitisation Group, provided that the Borrower’s solicitors opine (by way of a legal opinion delivered to the Security Trustee in a form acceptable to the Security Trustee) that no material tax liability will be incurred, and no statutory pre-emption rights will be triggered, as a result of such transfer.
- (h) Each Obligor shall have the right to dispose of any assets (other than any interest in any of the Properties which produce Ground Rent or Transfer Fee income for any Obligor) which have outlasted their useful life or which are not income producing or otherwise required for the efficient operation of such Obligor’s business.
- (i) Each Obligor shall be permitted to make any disposal which is required to be made by law.

Additional covenants will include, *inter alia*, maintenance of insurances (subject to availability), provision of information and accounts, notification of default, provisions of compliance certificates, maintenance of authorisations and consents, ranking of liabilities, a negative pledge (subject to agreed exceptions), restrictions on transactions similar to granting of security, restrictions on disposals (subject to agreed exceptions), restrictions on change of business, restrictions on mergers and acquisitions (subject to approval), restrictions on dividends by the Borrower (subject to agreed exceptions), no new subsidiaries or joint ventures in relation to the Properties (subject to approval), no surrender of tax losses other than for full value to any member of the Peverel Group (in which regard, any such payments received will be held in a separate account, designated for use in funding any subsequent tax payments by the surrendering company which would have been relieved by such tax losses, and may be applied pending such use in making Eligible Investments) further assurance and delivery of deeds, making of registrations and filings, permitting access to Properties and payment of taxes and property covenants.

#### *Events of Default*

The Peverel/Issuer Loan Agreement sets out a number of events which fall into two main categories, namely those which are unqualified events of default (being non-payment, insolvency of any Obligor and a cross-acceleration provision) and those which, to constitute an event of default, must have a material adverse effect (such as breach of certain obligations (other than payment obligations), compulsory purchase and commencement of litigation). Certain grace periods before an event of default may be called have been agreed.

The occurrence of an event of default under the Peverel/Issuer Loan Agreement will result in the security granted by the Borrower and contained in the Borrower Debenture becoming enforceable.

An event of default (in respect of insolvency, insolvency proceedings or non-payment only) under the Peverel/Issuer Loan Agreement will also constitute an event of default under the Notes (see Condition 8 (*Events of Default*) below).

### *Further Advances*

The Peverel/Issuer Loan Agreement will provide that the Borrower may at any time before the Loan Payment Date falling in May 2034 by written notice to the Issuer (with a copy to the Security Trustee and the Note Trustee) request one or more further advances which rank *pari passu* with, and on the same terms, *mutatis mutandis*, as, either the Class A Advance (the “**Further Class A Advances**”), or the Class B Advance (the “**Further Class B Advances**”), and together with the Further Class A Advances, the “**Further Advances**”). In this Offering Circular, the expressions “Class A Advance”, “Class B Advance” and “Advances” shall, unless the context otherwise requires, include any Further Advances forming a single class with the Class A Advance or the Class B Advance, as the case may be.

Each Further Advance will be financed by the issue of Further Notes by the Issuer and will be permitted only if the Further Notes to be issued by the Issuer for the purpose of financing such Further Advance are issued in accordance with Condition 14 and the subscription proceeds therefor are received by or on behalf of the Issuer.

Following any Further Advance, the amount(s) due on the succeeding Loan Payment Dates in respect of the relevant class of Advance will increase *pro rata* and references in this Offering Circular to a “Scheduled Principal Payment” or to a “Scheduled Payment” shall include references to such amounts recalculated as aforesaid.

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

### *Guarantees*

Under the Peverel/Issuer Loan Agreement, each Charging Company will grant to the Issuer an unsecured guarantee of, *inter alia*, the Borrower’s obligations to the Issuer thereunder.

### *Borrower Debenture*

Under the Borrower Debenture, the Borrower will grant, *inter alia*, the following security in favour of the Security Trustee, who will hold such security on trust for the benefit of the Borrower Secured Creditors:

- (a) a first fixed equitable mortgage of all its shares in any member of the Securitisation Group;
- (b) an assignment by way of first fixed security over (i) the amounts from time to time standing to the credit of the Borrower Bank Accounts (other than the Working Capital Account) and (ii) all contractual rights of the Borrower; and
- (c) a first ranking floating charge over all assets and undertaking of the Borrower not effectively charged or assigned by first ranking fixed security interests under the Borrower Debenture.

The Issuer’s interest in the Borrower Debenture will be charged and, as applicable, assigned to the Note Trustee pursuant to the Deed of Charge. The Note Trustee, as sub-chargee under the Deed of Charge, will hold the benefit of the Borrower Security under the Borrower Debenture on trust for the benefit of the Secured Creditors, upon and subject to the terms of the Deed of Charge. All proceeds of realisation of the security received by the Note Trustee will be applied in the manner described in “Summary Information – Principal Characteristics of the Notes – Priority of payments to the Secured Creditors post enforcement” above.

Pursuant to the terms of the Borrower Debenture, upon the service of an enforcement notice by the Security Trustee under the Peverel/Issuer Loan Agreement, all payments under or arising from the Borrower Debenture (subject as provided below) will be required to be made to the Security Trustee or to its order (except as otherwise provided for in the Borrower Debenture). All rights or remedies provided for by the Borrower Debenture or available at law or in equity to the Issuer will, following the service of such an enforcement notice, be exercisable by the Security Trustee.

The Borrower Debenture will be governed by English law.

### *Deed of Charge*

Under the Deed of Charge, the Issuer will grant, *inter alia*, the following security in favour of the Note Trustee who will hold such security on trust for the benefit of itself, the Noteholders, the Liquidity Facility Provider and the Paying Agents (together, the “Secured Creditors”):

- (a) an assignment by way of a first fixed security of its rights, title, interest and benefit, present and future, in, to and under the Peverel/Issuer Loan Agreement, each of the other Finance Documents to which it is or may become a party and all other contracts, agreements, deeds and documents to which it is or may become a party;
- (b) a first fixed sub-charge and/or, as applicable, an assignment by way of a first fixed security of its rights, title, interest and benefit, present and future, in, to and under the Borrower Debenture;
- (c) an assignment by way of a first fixed security of its rights, title, interest and benefit, present and future, in, to and under certain investments permitted to be made by the Issuer pursuant to the Cash Management Agreement;
- (d) an assignment by way of a first fixed security over the amounts from time to time standing to the credit of the Issuer Transaction Account and any other accounts of the Issuer from time to time (other than the bank account into which amounts paid on subscription of the share capital of the Issuer were paid); and
- (e) a first ranking floating charge over all assets and undertaking of the Issuer not effectively charged or assigned by the first ranking fixed security interests referred to above (other than the bank account into which amounts paid on subscription of the share capital of the Issuer were paid).

Under the Deed of Charge, Peverel Limited will grant a first fixed equitable charge over its shares in Peverel Securitisation Limited in favour of the Note Trustee who will hold such security on trust for the Secured Creditors.

Pursuant to the terms of the Deed of Charge, the Charging Companies will give the Guarantees. Any payments under the Guarantees in respect of the Issuer’s payment obligations under the Notes are expected to benefit from the same quoted eurobond exemption from withholding tax as any payments made by the Issuer under the Notes.

Under the Deed of Charge, each Charging Company will grant, *inter alia*, the following security in favour of the Note Trustee, who will hold such security on trust for the Secured Creditors:

- (a) a first fixed equitable mortgage of all its shares in any member of the Securitisation Group (other than the Optionholder);
- (b) a first fixed charge by way of legal mortgage of its interests (if any) (present and future) in the Properties (other than any leasehold interests in respect of which the landlord’s consent to charge is required, until and unless such consent is given);
- (c) an assignment by way of first fixed security of its rights, title and interests in, to and under (i) monies standing to the credit of the Estate Accounts and the PMS Client Account in respect of Ground Rents and Transfer Fees and (ii) the Peverel Options;
- (d) an assignment by way of first fixed security of all its right, title and interest to, in and under all present and future agreements, contracts, deeds, licences, undertakings, guarantees, covenants, warranties, representations and other documents entered into by or given to it in respect of any present or future Reversionary Interests of such Charging Company; and
- (e) a first ranking floating charge over all assets and undertaking of such Charging Company not effectively charged or assigned by first ranking fixed security interests under the Deed of Charge (other than (i) any

leasehold interests in respect of which the landlord's consent to charge is required, until and unless such consent is given and (ii) any shares in the Optionholder).

The mortgages over the Charging Companies' interests in the Properties are equitable as it is not intended to register such charges with the Land Registry or the Land Charges Registry. However, the title deeds in respect of the Charging Companies' interests in the Properties will be held by, or to the order of, the Note Trustee.

The Note Trustee shall at no time be obliged to perfect or enforce any Security in respect of the shares in Peverel Investments.

The proceeds on enforcement of the security constituted by the Deed of Charge will be applied in accordance with the order of application of payments specified in Condition 2(B) (see further "Terms and Conditions of the Notes") below and as set out in "Summary Information – Principal Characteristics of the Notes – Priority of payments to the Secured Creditors post enforcement" above.

The Deed of Charge will be governed by English law.

### ***Bank Agreement***

Pursuant to the Bank Agreement, the Account Bank will establish and maintain each of the Borrower Bank Accounts in the name of the Borrower and the Issuer Transaction Account in the name of the Issuer.

The Account Bank will undertake not to exercise any rights of set-off, counterclaim or consolidation of accounts in respect of the Borrower Bank Accounts and the Issuer Transaction Account.

If the Account Bank ceases to be an Eligible Bank (as defined below), then the Borrower and the Issuer will be required to arrange for the transfer of such accounts to an Eligible Bank.

"**Eligible Bank**" means an institution which is authorised to accept deposits under the Banking Act 1987 and which is a Qualifying Institution (as defined below), and either (i) at all times has a short-term unsecured and unsubordinated debt rating of at least A-1+ by S&P and D-1+ by DCR or (ii) is acceptable to each Rating Agency.

"**Qualifying Institution**" means: a bank as defined for the purposes of Section 349 ICTA which is within the charge to United Kingdom corporation tax with respect to the interest in question.

### ***Cash Management Agreement***

Under the Cash Management Agreement, the Cash Manager will be appointed as cash manager of the Borrower Bank Accounts and the Issuer Transaction Account by the Borrower and the Issuer, respectively. The Cash Manager's duties will include but not be limited to (i) instructing the Account Bank to make transfers from the Borrower Bank Accounts and the Issuer Transaction Account, (ii) determining the Ground Rent/Debt Service Ratio on each Loan Payment Date, any Make-Whole Amount and any adjusted schedule of repayments under the Peverel/Issuer Loan Agreement and (iii) notifying, *inter alios*, the Security Trustee of the amounts credited to and debited from the Borrower Bank Accounts and the Issuer Transaction Account. The Cash Manager may invest in Eligible Investments (as defined below) certain sums standing to the credit of the Borrower Bank Accounts and the Issuer Transaction Account.

"**Eligible Investments**" means, at any time in respect of monies transferred from any Investment Account, any of the following investments which has a scheduled maturity no later than the next succeeding Loan Payment Date:

- (a) gilt-edged securities and other freely transferable and marketable debt securities issued by the Government of the United Kingdom, denominated in sterling and which constitute direct, primary and unsubordinated obligations;
- (b) bonds or notes of or guaranteed by any company or corporation, supranational entity or sovereign, the unsecured, unguaranteed and unsubordinated medium-term obligations of which have a medium-term senior debt rating of AA – or better issued by S&P and DCR;
- (c) certificates of deposit or commercial paper, denominated in sterling, constituting direct, primary and unsubordinated obligations, having an outstanding maturity of less than 3 months from the date of purchase and a short-term senior debt rating of A-1+ or better issued by S&P and D-1+ or better issued by DCR; and
- (d) call or fixed deposits, certificates of deposits of any building society (which is an authorised institution under the Building Societies Act 1986) or bank (which is an authorised institution under the Banking Act 1987) and which has a short-term senior debt rating of A-1+ or better issued by S&P and D-1+ or better issued by DCR.

#### *Property Management Agreement*

Pursuant to the Property Management Agreement, each Property Charging Company will appoint either Peverel Management Services Limited or O.M. Management Services Limited to provide property management services to the relevant Property Charging Companies in accordance with the terms of the relevant Leases. The Property Management Agreement will be for a term ending no earlier than the first anniversary of the Final Redemption Date, subject to earlier termination for breach. The Managing Agents will covenant to use their best endeavours to collect all sums owed by the Tenants under the relevant Leases and to deposit and transfer such sums in and from the Estate Accounts and (in the case of Peverel Management Services Limited) the PMS Client Account in the manner described in “Bank Accounts” below (without, however, being obliged themselves to pay any such amounts or any costs of collection thereof).

#### *Borrower Subordinated Loan Agreement*

##### *Advance*

Under the terms of the Borrower Subordinated Loan Agreement, the Subordinated Loan Provider will agree to make a loan of £1,700,000 to the Borrower on the Closing Date (the “**Borrower Subordinated Loan**”). Such advance will be deposited by the Borrower in the Cash Reserve Account (see “Bank Accounts – Cash Reserve Account” below).

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

The Borrower Subordinated Loan may be repaid (in accordance with “Summary Information – Priority of payments to the Secured Creditors prior to enforcement” above) in whole or in part at any time after the Advances have been repaid in full, when it will become repayable in full on demand.

Interest on outstanding principal and accrued interest under the Borrower Subordinated Loan Agreement will accrue semi-annually at the rate of 10.634 per cent. per annum and will be payable on demand but only after the Advances have been repaid in full.

#### *Borrower Voluntary Loan Agreement*

Pursuant to the Borrower Voluntary Loan Agreement, each of Peverel Limited and Peverel Holdings Limited will be entitled (but not obliged) to make loans of additional amounts to the Borrower from time to time after the Closing Date on an interest-free and subordinated basis, repayable in accordance with “Summary

Information–Priority of Payments to the Borrower Secured Creditors prior to enforcement” above. Such amounts may be advanced for specific purposes and shall be applied accordingly, in which event they may be repaid as described in “Peverel/Issuer Loan Agreement–Other Covenants” above.

### ***Option Income Shortfall Loan Agreement***

#### ***Advance***

On the Closing Date the Borrower will deposit the proceeds of the Option Income Shortfall Loan in the Option Income Shortfall Account (see “Bank Accounts – Option Income Shortfall Account” below).

#### ***Repayment of Principal***

The Option Income Shortfall Loan may be repaid out of the Working Capital Account in whole or in part at any time before the Loan Payment Date falling in November 2036, when it will become repayable in full.

#### ***Tax Deed of Covenant***

Under the terms of the Tax Deed of Covenant (as defined in the Conditions), *inter alia*:

- (a) Peverel Holdings Limited and Peverel Limited will give certain representations and covenants as to their respective tax positions and that of their respective subsidiaries;
- (b) Peverel Holdings Limited, Peverel Limited, Peverel Securitisation Limited, the Issuer and the Borrower will give certain representations and covenants as to the preservation of certain group income elections and other group arrangements between, *inter alios*, the Issuer and the Borrower, amongst other things;
- (c) each of Peverel Holdings Limited and Peverel Limited will give representations and covenants to the effect that they have not, nor have any of their respective subsidiaries, taken any steps nor will they take any steps which have had or will have the consequence of rendering the Issuer, the Borrower or Peverel Securitisation Limited liable to tax which is primarily the liability of another entity; and
- (d) each of Peverel Holdings Limited and Peverel Limited will give representations and covenants to the effect that it will pay or will procure by its respective subsidiaries payment of all taxes for which it or any company which it controls may be liable and for which a secondary tax liability may arise for the Issuer as a result of non payment of such tax liability, and such payment shall be made within the time required for making such a payment.

The obligations of Peverel Holdings Limited and Peverel Limited under the Tax Deed of Covenant will be secured in favour of the Borrower pursuant to the Security Over PL Shares Deed and the Security Over PSL Shares Deed (each as defined in the Conditions), respectively. Pursuant to the Priorities Agreement (as defined in the Conditions), the security granted by Peverel Limited under the Security Over PSL Shares Deed will be subordinated to the security granted by Peverel Limited under the Deed of Charge.

#### **Bank Accounts**

#### ***Estate Accounts***

Each Property Charging Company, through the relevant Managing Agent, will, where practicable, direct Tenants to pay all rental income payable, service charge and other items in respect of the relevant premises within the Properties (other than any payment which includes an amount in respect of Transfer Fees into individual estate bank accounts (the “Estate Accounts”) in the name of the relevant Managing Agent. Amounts representing Ground Rent will be transferred on a weekly basis to the PPL Account (as described below), save that from each date that the Security Trustee confirms to the Managing Agents that it has received a Cash Manager Certificate

to (but excluding) the next following Loan Payment Date, all such amounts will be transferred on a weekly basis to the Working Capital Account (as described below).

Pursuant to the Property Management Agreements and to relevant legislation, (i) certain amounts standing to the credit of each Estate Account, including amounts representing service charge payments, will be held by the relevant Managing Agent on trust for the relevant Tenants and (ii) any amounts standing to the credit of each Estate Account which represent Ground Rents or Transfer Fees will be held by the relevant Managing Agent on trust for the relevant Property Charging Company. The beneficial interest of each Property Charging Company in respect of Ground Rents and Transfer Fees under such trust of the relevant Estate Account will be the subject of a charge in favour of the Note Trustee pursuant to the Deed of Charge.

#### ***PMS Client Account***

From time to time, amounts representing, *inter alia*, Transfer Fees will be paid into an account in the name of Peverel Management Services Limited known as the "PMS Client Account" (the "**PMS Client Account**"). Such Transfer Fees will be transferred on a daily basis to the PPL Account, save that from each date that the Security Trustee confirms to the Managing Agents that it has received a Cash Manager Certificate to (but excluding) the next following Loan Payment Date, all such amounts will be transferred on a daily basis to the Working Capital Account (as described below).

Pursuant to the Property Management Agreement and to relevant legislation (i) certain amounts standing to the credit of the PMS Client Account, including amounts representing service charge payments, will be held by Peverel Management Services Limited on trust for the relevant Tenants and (ii) any amounts standing to the credit of the PMS Client Account which represent Ground Rents or Transfer Fees will be held by Peverel Management Services Limited on trust for the relevant Property Charging Company. The beneficial interest of each Property Charging Company in respect of Ground Rents and Transfer Fees under such trust of the PMS Client Account will be the subject of a charge in favour of the Note Trustee pursuant to the Deed of Charge.

#### ***PPL Account***

On or before the Closing Date, the Borrower will open an account to be known as the "PPL Account" in its name with the Account Bank (the "**PPL Account**"). On each Loan Payment Date, the amounts standing to the credit of the PPL Account will be applied in accordance with the Cash Management Agreement and the order of priorities set out above in "Summary Information – Principal Characteristics of the Notes – Priority of payments to the Borrower Secured Creditors prior to enforcement". The PPL Account will be the subject of a fixed charge in favour of the Security Trustee pursuant to the Borrower Debenture.

#### ***Cash Reserve Account***

The amount of £1,700,000 advanced to the Borrower under the Borrower Subordinated Loan will be held in the Cash Reserve Account. Such amount (less any amounts transferred from the Cash Reserve Account from time to time in the manner described below) will, together with any other amounts from time to time standing to the credit of the Cash Reserve Account, be available to supplement Ground Rent and Transfer Fee income for the purpose of paying amounts due to the Issuer under the Peverel/Issuer Loan.

On each Loan Payment Date, to the extent required and available in the PPL Account, additional amounts shall be deposited in the Cash Reserve Account until the balance on the Cash Reserve Account at such time is equal to £1,700,000, provided that on each Loan Payment Date after the first anniversary of the Closing Date:

- (i) if the Ground Rent/Debt Service Ratio (as defined below) is greater than 1.10, then the amount of deposit required in the Cash Reserve Account on such date and until the next Loan Payment Date shall be £700,000;

- (ii) if the Ground Rent/Debt Service Ratio is greater than 1.05 and equal to or less than 1.10, then the amount of deposit required in the Cash Reserve Account on such date and until the next Loan Payment Date shall be £1,200,000; and
- (iii) if the Transfer Fees credited to the PPL Account in the preceding twelve months are less than £1,000,000 and the Ground Rent/Debt Service Ratio is less than or equal to 1.00, then the amount of deposit required in the Cash Reserve Account on such date and until the next Loan Payment Date shall be £3,000,000.

“**Debt Service**” means, on any Loan Payment Date, the aggregate amount paid or payable by the Issuer to the Noteholders in respect of the Notes on the next following Interest Payment Date and the preceding Interest Payment Date.

“**Ground Rent/Debt Service Ratio**” means, on any Loan Payment Date, the fraction the denominator of which is the Debt Service and the numerator of which is the Ground Rent Income.

“**Ground Rent Income**” means, at any time, the aggregate Ground Rent paid to or for the benefit of any Property Charging Company in respect of the Leases during the preceding twelve months.

If, on any Loan Payment Date, the amount standing to the credit of the Cash Reserve Account is greater than the amount required in the Cash Reserve Account on such date as described above (the “**Cash Reserve Required Amount**”), an amount equal to the lesser of (i) such surplus and (ii) £100,000, shall be transferred to the PPL Account and applied in accordance with the order of priorities set out above in “Priority of Payments to the Borrower Secured Creditors prior to enforcement”, provided that, if on such date the Ground Rent/Debt Service Ratio is greater than 1.05 or the aggregate Transfer Fees credited to the PPL Account in each of the two preceding twelve month periods are greater than £1,000,000, then the whole of such surplus shall be so transferred to the PPL Account.

The Borrower may, at any time, apply monies credited to the Cash Reserve Account in satisfaction of any liability of the Borrower or any Charging Company to tax pursuant to Section 179 of the Taxation of Chargeable Gains Act 1992.

The Cash Reserve Account will be the subject of a fixed charge in favour of the Security Trustee pursuant to the Borrower Debenture.

#### ***Options Exercise Account***

On the Closing Date, £5,050,000 of the Discounted Advances will be placed in the Options Exercise Account. Subject to satisfying certain conditions precedent (as more particularly described in “Peverel/Issuer Loan Agreement” above), the Borrower may, at any time before the Loan Payment Date falling in May 2002, make withdrawals from the Options Exercise Account for the purpose of funding, directly or indirectly (via loans to the relevant Property Charging Company(ies)), any of the following:

- (i) the exercise by a Property Charging Company of one or more Peverel Options; and
- (ii) the Replacement Option Acquisition, provided that only one Replacement Option Acquisition of Replacement Option Properties may be made,

The consideration in respect of the Replacement Option Acquisition may be satisfied in part by the assignment of unexercised Peverel Options or other options of like nature (see further “Summary of Principal Documents and Bank Accounts – Principal Documents – Peverel/Issuer Loan Agreement – Other Covenants”).

No withdrawal may be made from the Options Exercise Account to fund in part (directly or indirectly) any Peverel Acquisition.



If all the Peverel Options are exercised, the Option Properties are expected to generate an annual ground rent stream of approximately £475,000, based on present ground rents. Details of the Peverel Options are set out in the section "Information on the Property Portfolio" below.

On the Loan Payment Date falling in May 2002, the balance (if any) of the Options Exercise Account on such date will be transferred to the Further Acquisitions Account.

Any Escrow Account Receipts will be credited to the Options Exercise Account and will be dealt with as set out above.

#### ***Further Acquisitions Account***

Any Capital Receipts will be credited to the Further Acquisitions Account in addition to any Transferred Monies.

Subject to satisfying certain conditions precedent (as more particularly described in "Principal Documents – Peverel/Issuer Loan Agreement" above), such amounts may be applied by the Borrower at any time to on-lend to Property Charging Companies to enable such Property Charging Companies to make Peverel Acquisitions.

No withdrawal may be made from the Further Acquisitions Account to fund in part (directly or indirectly) the Replacement Option Acquisition.

Any Capital Receipts credited to the Further Acquisitions Account will (subject as provided below) be used to make Peverel Acquisitions to generate, as nearly as possible, a ground rent income stream equivalent to the ground rent income stream of the property interests disposed of in respect of such Capital Receipts.

On the Loan Payment Date falling in May 2002 and every Loan Payment Date thereafter, the Cash Manager shall determine the Ground Rent/Debt Service Ratio. If such Ground Rent/Debt Service Ratio exceeds 1.05, the total balance held in the Further Acquisitions Account on such date of determination will be transferred to the PPL Account and applied in accordance with the order of priorities set out in "Summary Information – Peverel/Issuer Loan Agreement – Priority of payments to the Borrower Secured Creditors prior to enforcement" above. If such Ground Rent/Debt Service Ratio is less than or equal to 1.05, an amount equal to the amount standing to the credit of the Further Acquisitions Account (less any amounts credited thereto during the preceding two years other than any Transferred Monies) will be utilised by the Borrower in partial repayment of the Advances and by the Issuer in partial redemption of the Notes, provided that such net amount is not less than £500,000. If such amount is less than £500,000, it will remain in the Further Acquisitions Account on such Loan Payment Date.

The Further Acquisitions Account will be the subject of a fixed charge in favour of the Security Trustee pursuant to the Borrower Debenture.

#### ***Suspended Advances Account***

In relation to 12 of the Properties (which presently generate an aggregate Ground Rent income stream of £99,251), the relevant Property Charging Companies have not yet been registered at the Land Registry as the proprietors of freehold or long leasehold interests therein, although applications for such registrations have been made and are at various stages. In relation to 3 long leasehold interests on the Reversionary Leasehold Matrix (as described in "Information on the Property Portfolio–Property Due Diligence–Reversionary Leasehold Matrix" below) (which presently generate an aggregate Ground Rent income stream of £21,250), Landlord's Consent is required and has not yet been obtained. On the Closing Date, £2,124,168 will be deposited by the Borrower in the Suspended Advances Account. Upon Evidence of Title or any Landlord's Consent (as the context requires) being produced to the Security Trustee, the Borrower will be required to apply the relevant portion of the amount held in the Suspended Advances Account in satisfaction, in whole or part, of amounts due by it in respect of the contingent consideration or deferred consideration payable by it to members of the Peverel Group (outside the Securitisation Group) as part of the consideration in respect of the sale to the Borrower of the

shares in the relevant Borrower Subsidiaries as referred to above. To the extent that any amounts remain in the Suspended Advances Account on the Loan Payment Date falling in May 2002, such amounts will be transferred to the Further Acquisitions Account, to be dealt with as described above.

The Suspended Advances Account will be the subject of a fixed charge in favour of the Security Trustee pursuant to the Borrower Debenture.

#### ***Option Income Shortfall Account***

On the Closing Date, the Borrower will deposit the proceeds of the Option Income Shortfall Loan in the Option Income Shortfall Account. Such proceeds will be available to supplement New Properties Income.

On each Loan Payment Date on or before the Loan Payment Date falling in May 2002, an amount equal to £237,500 (in respect of any such Loan Payment Date up to the Loan Payment Date falling in May 2002, other than the first Loan Payment Date) or £118,750 (in respect of the first Loan Payment Date) (less, in any case, any New Properties Income credited (directly or indirectly) to the PPL Account during the preceding Collection Period (as defined below)) will be transferred to the PPL Account and applied in accordance with the order of priorities set out above in "Summary Information – Principal Characteristics of the Notes – Priority of payments to the Borrower Secured Creditors prior to enforcement", provided that, if at any time, the aggregate annual ground rent payable to or for the benefit of the Property Charging Companies under the terms of the Option Leases and the Replacement Option Leases is equal to or greater than £475,000, an amount equal to the balance of the Option Income Shortfall Account shall be paid to Peverel Holdings Limited in or towards prepayment of the Option Income Shortfall Loan.

The Borrower may, at any time, apply monies credited to the Option Income Shortfall Account in satisfaction of any liability of the Borrower or any Charging Company to tax pursuant to Section 179 of the Taxation of Chargeable Gains Act 1992.

To the extent that any amounts remain in the Option Income Shortfall Account on the Loan Payment Date falling in May 2002 (after making the transfers as described above), such amounts will be transferred to the Further Acquisitions Account (see "Further Acquisitions Account" above).

"Collection Period" means each period commencing on (and including) a Loan Payment Date (or, in the case of the first such period, the Closing Date) and ending on (and including) the Business Day immediately preceding the next following Loan Payment Date.

The Option Income Shortfall Account will be the subject of a fixed charge in favour of the Security Trustee pursuant to the Borrower Debenture.

#### ***Stamp Duty Reserve Account***

On the Closing Date, the Borrower will deposit £325,256 in the Stamp Duty Reserve Account. Such amount will be available to discharge any liability to pay stamp duty in respect of the transfer of shares in the Borrower Subsidiaries to the Borrower. Upon an adjudication being given by the Inland Revenue as to whether or not such stamp duty is payable, and a copy of the relevant adjudicated documents being delivered to the Security Trustee, the Borrower will be required to apply the balance of the Stamp Duty Reserve Account (less any amount of stamp duty which is required to be paid in accordance with such adjudication and which has not been paid to the Inland Revenue by any person) in or towards satisfaction of the consideration payable to members of the Peverel Group (outside the Securitisation Group) in respect of the sale of the shares in the Borrower Subsidiaries to the Borrower.

The Stamp Duty Reserve Account will be the subject of a fixed charge in favour of the Security Trustee pursuant to the Borrower Debenture.

### ***Working Capital Account***

From each date that the Security Trustee confirms to the Managing Agents that it has received a Cash Manager Certificate to (but excluding) the next following Loan Payment Date, all Ground Rents and Transfer Fees shall be transferred from the PMS Client Account and the Estate Accounts to the Working Capital Account in accordance with the Property Management Agreement.

Any amounts credited to the Working Capital Account may be applied from time to time for the general corporate purposes of the Borrower (including payment or repayment of (i) dividends, (ii) certain monies which properly belong to third parties, (iii) sums due to third parties under obligations incurred in the course of the Borrower's business or any Property Charging Company's business including, without limitation, payment of any ground rents or other amounts due under any head lease relating to any of the Properties, taxes and annual corporate filing and administration fees, (iv) the Option Income Shortfall Loan and (v) sums due to be paid by the Borrower to the Issuer by way of indemnity or lending fee under the Peverel/Issuer Loan Agreement), without limitation.

### ***Borrower Bank Accounts Generally***

The Cash Manager (on behalf of the Borrower) will be entitled to invest the credit balance from time to time on the PPL Account, the Cash Reserve Account, the Further Acquisitions Account, the Suspended Advances Account, the Stamp Duty Reserve Account, the Option Exercise Account, the Working Capital Account and the Option Income Shortfall Account and any other bank account of the Borrower in Eligible Investments.

### ***Issuer Transaction Account***

On or before the Closing Date, the Issuer will open the Issuer Transaction Account. On each Interest Payment Date, monies standing to the credit of the Issuer Transaction Account will be applied in accordance with the Cash Management Agreement and the order of priorities set out above in "Summary Information – Principal Characteristics of the Notes – Priority of payments to the Secured Creditors prior to enforcement".

The Issuer Transaction Account and any other accounts of the Issuer from time to time (other than the bank account into which amounts paid on subscription of the share capital of the Issuer were paid) will be the subject of a fixed charge in favour of the Note Trustee under the Deed of Charge.

The Cash Manager (on behalf of the Issuer) will be entitled to invest the credit balance from time to time on the Issuer Transaction Account in Eligible Investments.

## SPECIAL CONSIDERATIONS

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

### **Liability under the Notes**

The Notes will be primary obligations of the Issuer only and will not be obligations or responsibilities of, or guaranteed by, any other person or entity (other than the Charging Companies). In particular, the Notes will not be obligations or responsibilities of, and will not be guaranteed by, Merrill Lynch International, the Security Trustee, the Note Trustee, the Liquidity Facility Provider, the Managing Agents, the Paying Agents, the Cash Manager, the Subordinated Loan Provider, the Borrower, the Parent, the Account Bank or any company in the same group of companies as, or affiliated to, the Parent (other than the Issuer itself and the Charging Companies). Furthermore, no persons other than the Issuer and the Charging Companies will accept any liability whatsoever to Noteholders in respect of any failure by the Issuer to pay any amount due under the Notes.

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

#### ***Liquidity Facility***

The ability of the Issuer to meet its obligations under the Notes will be dependent on, *inter alia*, the receipt by it of funds from the Obligor under the Peverel/Issuer Loan Agreement (see, in particular, "Special Considerations – The Borrower's ability to meet its obligations under the Peverel/Issuer Loan Agreement" below). The Issuer will also have available to it (subject to satisfaction of the conditions for drawing) drawings under the Liquidity Facility (see "Credit Structure – Resources available to the Issuer" below). Other than the foregoing, prior to the enforcement of the security created pursuant to the Borrower Debenture, the Issuer will not have any other funds available to it to meet its obligations under the Notes.

#### ***Subordination***

Save as provided in the Conditions, payments of principal, interest and other amounts on the Class A Notes will be made in priority to payments of principal, interest and other amounts on the Class B Notes.

If, upon enforcement of the security for the Notes, there are insufficient funds available after payment of all other claims ranking in priority to or *pari passu* with the Class B Notes to pay in full all principal, interest and other amounts in respect of the Class B Notes (but so that interest in respect of the Class B Notes will always be paid before principal), the Issuer's assets may be insufficient to pay such amounts. Class B Noteholders should, therefore, have regard to the risk factors identified herein in determining the likelihood or extent of any such shortfall.

The Trust Deed and the Deed of Charge contain provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders and the Class B Noteholders as a single class as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise), but requiring the Note Trustee in any such case to have regard only to (for so long as there are any Class A Notes outstanding) the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and the Class B Noteholders and/or any other Secured Creditors under the Deed of Charge.

### ***Recourse***

In the event that the security under the Deed of Charge is enforced and the proceeds of such enforcement (including proceeds of any disposal of interests in the Properties) are insufficient after payment of all other claims ranking in priority to amounts due under the Notes of each class under the Deed of Charge to pay in full all principal and interest and other amounts whatsoever due in respect of the Notes, then the assets of the Issuer and the Charging Companies may be insufficient to meet claims in respect of any such unpaid amounts.

The liquidation value of the Properties may be adversely affected by risks generally incidental to interests in real property and other factors which are beyond the control of the Borrower, the Issuer, the Security Trustee, the Note Trustee, the Charging Companies, the Liquidity Facility Provider, the Paying Agents, the Managing Agents, the Cash Manager or the Account Bank. The timing of receipt of the liquidation value of the Properties may be affected by the exercise of pre-emption rights as referred to below.

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

Application has been made to list the Notes on the Luxembourg Stock Exchange. However, 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.

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

The ratings assigned to the Notes by the Rating Agencies are based on the relevant structural features of the transaction, including, *inter alia*, the short-term unsecured and unsubordinated debt rating of the Liquidity Facility Provider and reflect only the views of the Rating Agencies. The ratings address the likelihood of full and timely payment to the Noteholders of all payments of interest and scheduled principal on the Notes on each Interest Payment Date and the full and timely payment of outstanding principal on the Final Redemption Date. There is no assurance that any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by the Rating Agencies as a result of changes in or unavailability of information or if, in the Rating Agencies' judgment, circumstances so warrant.

### ***Withholding Tax under the Notes***

In the event withholding taxes are imposed in respect of payments to Noteholders of amounts due pursuant to the Notes, neither the Issuer nor any other person is obliged to gross-up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of the imposition of such withholding taxes.

### ***The Borrower's ability to meet its obligations under the Peverel/Issuer Loan Agreement***

The Borrower's ability to meet its obligations under the Peverel/Issuer Loan Agreement will be dependent on the timely payment by the Tenants of Ground Rents and Transfer Fees.

The obligation of the Borrower to make payments under the Peverel/Issuer Loan Agreement is a full recourse obligation, although the assets of the Borrower are limited.

### ***Borrower Default***

The obligations of the Borrower under the Peverel/Issuer Loan Agreement are guaranteed by the Charging Companies but not by any of the Issuer, Peverel Limited, the Note Trustee, the Security Trustee, the Paying Agents, the Managing Agents, the Cash Manager, the Liquidity Facility Provider, the Account Bank, the Subordinated Loan Provider, the Parent or any company in the same group of companies as, or affiliated to, the Parent (other than the Charging Companies). In the event that the security under the Borrower Debenture is enforced and the proceeds of such enforcement are insufficient after payment of all other claims ranking in

priority to amounts due under the Peverel/Issuer Loan Agreement to pay in full all principal, interest and other amounts whatsoever due under the Peverel/Issuer Loan Agreement, the Noteholders may ultimately suffer a loss.

#### ***Late Payment of Ground Rent or Transfer Fees***

There is a risk that Ground Rents or Transfer Fees due to Property Charging Companies will not be paid on the due date therefor or not paid at all. In the event that any payment of Ground Rent or Transfer Fees is not received on or prior to the date it becomes due, and any resultant shortfall is not otherwise compensated for from other resources of the Borrower within the grace period for payment under the Peverel/Issuer Loan Agreement, and the Borrower fails to pay the amount due on the next Loan Payment Date, an event of default will occur under the Peverel/Issuer Loan Agreement. Such an event may not of itself cause a payment default under the Notes, since the Issuer will have access to, *inter alia*, the Liquidity Facility (to the extent funds are available) for any shortfall under the Peverel/Issuer Loan Agreement. No assurance can, however, be given that the resources available to the Issuer will, in all cases and in all circumstances, be sufficient to cover any such shortfall and that a payment default under the Notes will not in fact occur as a result of the late payment of Ground Rent or Transfer Fees.

#### ***Refinancing Risk***

£40,000,000 of principal under the Class A Notes does not become repayable until the Final Redemption Date and no principal is repayable in respect of the Class B Notes prior to the Final Redemption Date. To the extent that, during the period from the Scheduled Redemption Date to the Final Redemption Date, the Issuer's income is insufficient to repay all amounts (including principal) owing to the Noteholders (as defined in the Conditions) on the Final Redemption Date, then there could be a shortfall between the amount of funds available to the Issuer and the amount required to discharge all amounts then owing to the Noteholders. After the Scheduled Redemption Date, the Borrower will be obliged to make provision towards the repayment or refinancing of the Principal Amount Outstanding from time to time of the Notes, together with interest payable thereon as described in "Summary Information – Peverel/Issuer Loan Agreement – Priority of Payments to the Borrower Secured Creditors prior to enforcement" above.

#### ***Receivership***

On the occurrence of an event of default under the Peverel/Issuer Loan Agreement, there are a number of options available to the Security Trustee. One such option that may be available to the Security Trustee is the appointment of a receiver over all, or part, of the Mortgaged Properties.

A receiver is deemed by law to be the agent of the relevant company until such company's liquidation and thus, whilst acting within his powers, only incurs liability on behalf of the company. If, however, the Security Trustee unduly directed or interfered with or influenced the receiver's actions, a court may decide that the receiver was the Security Trustee's agent and that the Security Trustee should be responsible for the receiver's acts.

#### ***Environmental Risks***

The Issuer has not commissioned environmental surveys in relation to any of the Properties.

If any environmental liability were to exist in respect of any Property, neither the Issuer nor the Security Trustee nor the Note Trustee should incur any such liability prior to enforcement of the Deed of Charge, unless it could be established that the Issuer, the Note Trustee or the Security Trustee had entered into possession of the relevant Property(ies) or had exercised a significant degree of control or of management of either the relevant Property(ies) or the relevant environmental problem(s). After enforcement of the Deed of Charge, the Issuer, the Note Trustee or the Security Trustee, if deemed to be a mortgagee in possession, or a receiver appointed on behalf of the Issuer, the Note Trustee or the Security Trustee, could become responsible for environmental

liabilities in respect of a Property. If the Issuer, the Note Trustee or the Security Trustee unduly directed or interfered with the receiver's actions or if a receiver's indemnity had been given and that indemnity covered environmental liabilities, this could also result in a liability for the Issuer, the Note Trustee and/or the Security Trustee. Even if any of them could incur such liabilities solely by virtue of being the owner and/or lessor of such Property(ies) they may be able to obtain an indemnity from the relevant tenant in possession. In addition, each of the Obligor(s) will indemnify each of the Issuer, the Note Trustee and the Security Trustee in respect of such liabilities pursuant to the Peverel/Issuer Loan Agreement.

If an environmental liability arises in relation to any Property(ies) and is not remedied, or is not capable of being remedied, this may result in the relevant Property Charging Company and/or the Security Trustee and/or any receiver not being able to sell the Property(ies) in question or only being able to do so at a reduced sale price.

Each of the Borrower and the Property Charging Companies respectively will warrant in the Peverel/Issuer Loan Agreement in respect of each of the Properties as to environmental matters as summarised in "Summary of Principal Documents and Bank Accounts – Principal Documents – Peverel/Issuer Loan Agreement – Representations" above. It will be an event of default under the Peverel/Issuer Loan Agreement if there is a breach of any of the environmental representations and warranties contained in the Peverel/Issuer Loan Agreement which is not remedied and which has a material adverse effect.

#### **Current Legislative Provisions affecting the Properties**

Current and future legislation may have an adverse effect on the ability of the Borrower to make payments under the Peverel/Issuer Loan Agreement. Set out below is a brief outline of certain legislative provisions or proposals relating to forfeiture and relief from forfeiture, enfranchisement and lease renewal, rights of pre-emption and the Government's proposals for leasehold reform.

#### ***Forfeiture and Relief from Forfeiture***

A failure on the part of the Tenant to pay the Ground Rents may lead to forfeiture of the relevant Lease by the relevant Property Charging Company. A forfeiture clause in a lease will usually take the form of a proviso by which the relevant Property Charging Company (as landlord) reserves to itself a power of re-entry in certain stated events, upon which the term granted by the lease will be brought to an end.

In the context of long leases, generally the only grounds for forfeiture are non-performance of the Tenant's covenants, including payment of the Ground Rent.

A landlord may exercise its right of re-entry and forfeiture in the case of occupied residential properties only by commencing proceedings for possession. If the premises were unoccupied, the landlord could also effect forfeiture by peaceable re-entry. Service of the claim form acts as an election on the part of the landlord to forfeit the lease but, pending the success of the landlord's action, the lease remains in existence. However, relief from forfeiture may be granted by the High Court and County Court under both statutory and equitable jurisdictions; the procedures for obtaining an order for possession and the grant of relief are complex and technical. Generally, under the statutory scheme, relief from forfeiture is available up to six months after forfeiture has occurred, whilst under the equitable jurisdiction, relief may be available beyond that time, but delay may affect the court's exercising of its discretion. Broadly, relief will be granted where the breach is capable of remedy, and it will be a condition of the order for relief that the breach is rectified, for example, in the case of forfeiture for non-payment of ground rent, relief would only be granted upon payment by the tenant of all outstanding arrears of rent, interest and costs. The courts have very broad scope as to the terms and conditions of the order.

To date, there have been negligible instances of Property Charging Companies forfeiting Leases for non-payment of Ground Rent.

### *Enfranchisement and Lease Renewal*

Pursuant to Part I of the Leasehold Reform, Housing and Urban Development Act 1993 (the "LRHUDA 1993"), as amended by the Housing Act 1996, (i) qualifying tenants (as defined below) collectively have a right to purchase the freehold of the building in which they are tenants ("enfranchisement") and (ii) each qualifying tenant has a right to buy an extension of 90 years to be added on to the end of the term of the relevant Lease ("lease renewal").

To qualify for these rights, a tenant must be a tenant under a lease which, when granted, was for a term exceeding 21 years at a low rent (a "qualifying tenant"). The test of a low rent is formulaic and related to rateable value, but has been largely abolished for leases exceeding 35 years in term. In addition, for the purposes either of lease renewal or enfranchisement, residence tests must be passed (based on the time which the property has been the tenant's only or main home) and, in the case of enfranchisement, the building must qualify, which is to say there must be two or more flats in the block, not more than 10% of the internal floor area (other than common parts) must be in non-residential use and at least two thirds of the flats must be let to qualifying tenants. In order then to qualify for enfranchisement, the group of qualifying tenants who wish to exercise the right to enfranchise must form at least two thirds of all qualifying tenants in the block holding leases of not less than half the flats in the block. Furthermore, not less than half the members of that group must satisfy the residence test.

Each of the enfranchisement process and the lease renewal process is the subject of a procedure as between tenant(s) and the landlord whereby notice and counternotice pass between landlord and tenant and the parties have a period of time in which they may agree terms for the lease renewal or enfranchisement, failing which either party may refer the matter to the local leasehold valuation tribunal in order to determine the terms of the enfranchisement or lease renewal.

In the absence of agreement, the tenant must pay the landlord consideration for a lease renewal according to (i) the reduction in the value of the landlord's interest in the tenant's flat, (ii) at least half the marriage value and (iii) possibly compensation for other losses the landlord may suffer.

In the case of enfranchisement, the tenant must pay the landlord consideration for the open market value of the landlord's interest and, in addition, elements (ii) and (iii) detailed above (see "Credit Structure – Resources available to the Borrower – Receipts of Capital Payments" below).

The proceeds of any enfranchisement or lease renewal will be credited to the Further Acquisitions Account (see "Summary of Principal Documents and Bank Accounts – Bank Accounts – Further Acquisitions Account" above).

To date, there have been negligible instances of enfranchisement and lease renewal experienced by the Property Charging Companies in respect of the Leases.

### *Rights of Pre-emption and Compulsory Acquisition*

The Landlord and Tenant Act 1987 as amended by the Housing Act 1996 (the "LTA 1987") gives qualifying tenants of flats the right of first refusal, if a freehold or leasehold reversion is to be sold, or the right to compel a sale by a new landlord, where the notification requirements of the LTA 1987 have not been complied with in relation to the new landlord. Compulsory acquisition rights are also given to tenants in the event of certain circumstances relating to proven "bad management" on behalf of the landlord. Tenants under the Properties will almost certainly be qualifying tenants and the premises in question will be subject to the provisions of the LTA 1987.

It is not the current intention of the Property Charging Companies to sell the Properties. However, in the event of the enforcement of the Deed of Charge and accordingly under the Borrower Debenture, prior to selling a freehold or leasehold reversion in the exercise of such security, the relevant Property Charging Company must



serve a notice on not less than 90% of the qualifying Tenants. The notice must state that it constitutes an offer by the relevant Property Charging Company to enter into a contract at the price specified and must be accepted by more than 50% of the qualifying Tenants. The qualifying Tenants have a specified period of not less than two months in which to serve an acceptance notice and a further period in which to nominate a purchaser and thereafter to exchange contracts. During the relevant periods, the relevant Property Charging Company must not enter into a contract for sale with anyone other than the nominated person.

No assurances can be given as to whether the Tenants will choose to exercise their rights under the LTA 1987. In the event that they choose to do so however, such Tenants would be required to agree to the proposed sale price of the reversionary interest specified in the landlord's notice and accordingly pay such amount to the relevant Property Charging Company although there may be a timing delay when such payments are made (see "Credit Structure – Resources available to the Borrower – Receipts of Capital Payments" below).

The proceeds of the exercise of any rights of compulsory acquisition will be credited to the Further Acquisitions Account (see "Summary of Principal Documents and Bank Accounts – Bank Accounts – Further Acquisitions Account" above).

### *The Government's Proposals for Leasehold Reform*

On 20 December 1999, the Government published a summary of proposals following responses to a Residential Leasehold Reform Consultation Paper published in November 1998. The Government's intention is to publish a draft Bill in the current session of Parliament. This is anticipated later this year and is likely to include the proposed changes set out below.

#### *Collective enfranchisement of flats*

The existing qualifying rules would be simplified and the residence test abolished. The minimum proportion of qualifying tenants who must take part would be reduced from two-thirds to one-half, subject to the group's owning at least half of the flats in the block. Leaseholders in properties with non-residential use of up to 25% of the floor area would also be able to enfranchise compared with 10% at present. The price payable on enfranchisement would continue to include a marriage value element which would be apportioned equally between the parties, other than where a lease had more than 90 years to run when there would be no marriage value payable to the Landlord.

#### *Leaseholders' right to manage*

Leaseholders would be given a new right to manage the building. If they met the revised qualifying rules for enfranchisement, they would be able to take over management without having to prove fault by the landlord and without payment of compensation. The landlord would still retain an interest in the building and would be entitled to membership of the managing body.

#### *Forfeiture procedure*

Determination of facts would be separated from repossession proceedings. Penalties for late payment of ground rent and other administration charges would have to be reasonable. Ground rent would not be recoverable unless demanded. Where a landlord obtained possession, the Government proposes that the leaseholder should be compensated for loss of his interest after deducting monies owed to the landlord.

#### *Lease renewals for flats*

The right to a longer lease would be widened by abolishing the residence test. Valuation rules and procedures would be amended in line with changes for collective enfranchisement.

There is no certainty as to when, if at all, these proposals or others relating to leasehold property will be enacted or what their effect on the business of the Securitisation Group might be.

### *The Government's Proposals for the Introduction of a Commonhold System of Land Tenure*

Also in December 1999, the Government announced its intention to publish a white paper in Spring 2000 containing its proposals on the introduction of a new commonhold land tenure, which would be a new system for the ownership of land especially conceived for ownership of flats, apartments and so on. It is possible that these proposals could, if they should ever become law, have an effect on existing residential long leasehold arrangements, perhaps by conferring additional rights on tenants. It is reasonable to speculate that if these proposals were to adversely affect landlord's rights, then compensation provisions might properly be included.

However, at this time, in advance of the white paper, it is not possible to say with any degree of certainty what such proposals might be, when they might take effect or what their effect on the business of the Securitisation Group might be.

### **Consumer legislation**

Transfer Fees payable under the Leases could be subject to review under the Unfair Terms in Consumer Contracts Regulations 1999 ("UTCC 1999"). UTCC 1999 specifies that certain contracts and contract terms must comply with a requirement of fairness in order to be enforceable. The assessment of fairness under UTCC 1999 does not, however, cover the main subject matter of the contract being assessed nor the adequacy of the price or remuneration to be paid. None of the Charging Companies has been involved in any legal proceedings in which the enforceability of Transfer Fees was raised, nor is the Issuer aware of any decided cases on the matter. The Issuer has been advised by counsel, however, that UTCC 1999 is not intended to relate to the fairness of the bargain itself and that, in any event, in counsel's opinion, the relevant term provided to him (which is the typical term applicable to the majority of the Leases providing for Transfer Fees) taken in itself would satisfy the test for fairness and would be enforceable against the relevant transferor. The Obligors will represent to the Issuer that, on the Closing Date, the Transfer Fees are legally valid, binding and enforceable obligations of the transferors.

### **European Monetary Union**

It is possible that prior to the maturity of the Notes the United Kingdom may become a Participating Member State (as defined in the Conditions) in the European Economic and Monetary Union and that therefore the euro may become the lawful currency of the United Kingdom. In that event, all amounts payable in respect of the Notes may become payable in euro and may allow the Issuer to redenominate the Notes in euro and take additional measures in respect of the Notes. If the Notes are outstanding at a time when the euro becomes the lawful currency of the United Kingdom, then the Issuer intends to make payment on the Notes in accordance with the then prevailing market practice of payment 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 Noteholders.

### **Proposed European Directive on the Taxation of Savings**

In May 1998, the European Commission presented to the Council of Ministers of the European Union a proposal to oblige Member States to adopt either a "withholding tax system" or an "information reporting system" in relation to interest, discounts and premiums. It is unclear whether this proposal will be adopted, and if it is adopted, whether it will be adopted in its current form. The "withholding tax system" would require a paying agent established in a Member State to withhold tax at a minimum rate of 20 per cent. from any interest, discount or premium paid to an individual resident in another Member State, unless such an individual presents a certificate obtained from the tax authorities of the Member State in which the individual is resident, confirming that those authorities are aware of the payment due to that individual. The "information reporting system" would

require a Member State to supply, to other Member States, details of any payment of interest, discount or premium made by paying agents within its jurisdiction to an individual resident in another Member State. A Member State would be free to choose which of these two systems to adopt. For these purposes, the term "paying agent" is widely defined and includes an agent who collects interest, discounts or premiums on behalf of an individual beneficially entitled thereto. If this proposal is adopted, it will not apply to payments of interest, discounts and premiums made before 1 January 2001. Noteholders who are individuals should note that, if this proposal is adopted in its current form, there might be an obligation to withhold tax on payments of interest on the Notes and that, in such an event, no additional amounts would be paid in respect of any withholding tax imposed as a result thereof.

### **VAT Group**

The Charging Companies are in a group for VAT purposes with certain other companies in the Peverel Group which are not Charging Companies and could therefore be jointly and severally liable for VAT due from other members of the VAT Group. Currently, the VAT liabilities of the Peverel Group amount to approximately £725,000 per annum. Contractual provisions exist in the Tax Deed of Covenant so that if it appears broadly likely that the Peverel Group would be unable to meet its VAT liabilities (after taking into account any security provided therefor), the Charging Companies would apply to leave the VAT group, if the Security Trustee and/or the Note Trustee consider it appropriate, having consulted with Peverel Limited and the Rating Agencies and if that application was granted the Charging Companies liabilities for VAT in respect of other Peverel companies would be confined to amounts accrued for periods up to that date.

A provision will be made from time to time by reference to the potential VAT liability of the Securitisation Group as further described in the Tax Deed of Covenant.

## CREDIT STRUCTURE

### Resources available to the Borrower

#### *Receipts of Ground Rent and Transfer Fees*

The payment of Ground Rent and Transfer Fees to the Property Charging Companies will provide the primary source of funds for the Borrower to make payments due under the Peverel/Issuer Loan Agreement.

In the event that Tenants do not make payments of Ground Rent, the Landlord may have the ability to forfeit the Lease (see "Special Considerations – Current Legislative Provisions affecting the Properties – Forfeiture and Relief from Forfeiture" above). The Landlord may exercise its right of re-entry and forfeiture by commencing proceedings for possession, although relief from forfeiture may be granted by the Courts.

#### *Cash Reserve*

Amounts from time to time standing to the credit of the Cash Reserve Account will be available to be paid in or towards meeting any deficiency in respect of amounts due to the Issuer under the Peverel/Issuer Loan arising from time to time.

Pursuant to the Borrower Subordinated Loan Agreement, Peverel Limited will, on the Closing Date, lend £1,700,000 to the Borrower, which will deposit such amount in the Cash Reserve Account. In addition, if on any Loan Payment Date, the amount standing to the credit of the Cash Reserve Account is less than the Cash Reserve Required Amount, the Cash Reserve Account will, to the extent funds are available to the Borrower, be credited in accordance with the Cash Management Agreement up to the amount necessary to ensure that the Cash Reserve Required Amount on such Loan Payment Date is held in the Cash Reserve Account (see "Summary Information – Cash Reserve Account" above). If on any Loan Payment Date, the amount standing to the credit of the Cash Reserve Account is greater than the Cash Reserve Required Amount, such surplus (or part thereof) will be transferred to the PPL Account in the manner described in "Summary of Principal Documents and Bank Accounts – Bank Accounts – Cash Reserve Account" above, for application in accordance with the Cash Management Agreement and as set out above in "Summary Information – Principal Characteristics of the Notes – Priority of payments to the Borrower Secured Creditors prior to enforcement".

#### *Option Income Shortfall Account*

On the Closing Date, the Borrower will deposit the proceeds of the Option Income Shortfall Loan in the Option Income Shortfall Account. Such proceeds will be available to supplement the New Properties Income. For further information regarding the Option Income Shortfall Account, see "Summary of Principal Documents and Bank Accounts – Bank Accounts – Option Income Shortfall Account" above. For further information regarding the Option Income Shortfall Loan Agreement, see "Summary of Principal Documents and Bank Accounts – Principal Documents – Option Income Shortfall Loan Agreement" above.

#### *Borrower Voluntary Loan Agreement*

Pursuant to the Borrower Voluntary Loan Agreement, each of Peverel Limited and Peverel Holdings Limited will be entitled (but not obliged) to advance additional amounts to the Borrower from time to time after the Closing Date on an interest-free and subordinated basis, repayable in accordance with "Summary Information – Priority of Payments to the Borrower Secured Creditors prior to enforcement" above. Such amounts may be required by the lender to be applied for specific purposes and, if so, will be applied accordingly, in which event they may be repaid as described in "Summary of Principal Documents and Bank Accounts – Peverel/Issuer Loan Agreement – Other Covenants" above.

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### *Receipts of Capital Payments*

The Property Charging Companies may receive certain net capital amounts in respect of the Properties (“**Capital Receipts**”) pursuant to enfranchisement as described in “Special Considerations – Current Legislative Provisions affecting the Properties – Enfranchisement and Lease Renewal” above or pursuant to compulsory acquisition at law (see “Special Considerations – Current Legislative Provisions affecting the Properties – Rights of Pre-emption and Compulsory Acquisition” above).

Such payments will be received by Property Charging Companies and (via the Borrower) will be credited to the Further Acquisitions Account and may, pending application, be invested in Eligible Investments (as defined in “Summary of Principal Documents and Bank Accounts – Principal Documents – Cash Management Agreement” above) and will be applied as described above (see “Summary of Principal Documents and Bank Accounts – Bank Accounts – Further Acquisitions Account”).

### **Resources available to the Issuer**

All payments made by the Borrower to the Issuer under the Peverel/Issuer Loan Agreement, all amounts of interest earned on the Issuer Transaction Account, all amounts earned by the Issuer from Eligible Investments made on its behalf and all advances drawn from the Liquidity Facility Agreement by the Issuer will be used by the Issuer to pay amounts due under the Notes and any amounts due to the Secured Creditors in accordance with the waterfall set out in “Summary Information – Principal Characteristics of the Notes – Priority of payments to the Secured Creditors prior to enforcement” above.

### *Subordination of the Class B Notes*

The holders of the Class B Notes will not be entitled to receive any payment of interest, principal or any other amount in respect of the Class B Notes, unless and until all interest, principal and any other amount then due or previously due but unpaid on the Class A Notes has been paid in full. In the event that the funds available to the Issuer on any Interest Payment Date are not sufficient to satisfy in full the aggregate amount of interest, principal and any other amount that would otherwise be payable on such Interest Payment Date, such shortfall will accrue interest during each Interest Period during which it remains outstanding at the rate of 1 per cent. above the relevant Rate of Interest.

### *Liquidity Facility*

Pursuant to the Liquidity Facility Agreement, the Liquidity Facility Provider will agree with the Issuer to provide it with a 364 day revolving liquidity facility up to a maximum amount of £6,000,000 (the “**Liquidity Facility**”). The Liquidity Facility may be used to satisfy deficiencies in respect of funds available to the Issuer on any Interest Payment Date to pay in full any of the items specified in “Summary Information – Principal Characteristics of the Notes – Priority of Payments to the Secured Creditors prior to enforcement” above. The maximum amount available to be drawn by the Issuer under the Liquidity Facility will be limited, so that no more than £1,000,000 of the facility limit will be available to be drawn in respect of the Issuer’s obligations in respect of the Class B Notes. The availability of the Liquidity Facility is subject to the satisfaction of certain conditions and the non-occurrence of certain events of default.

The Issuer may request the Liquidity Facility Provider to agree to provide a new facility on substantially the same terms as the Liquidity Facility prior to the end of its term. If the Liquidity Facility Provider refuses the request to renew the Liquidity Facility, the Issuer may draw down the entirety of the undrawn amount of the Liquidity Facility.

If, at any time, the credit rating of the Liquidity Facility Provider falls below the highest short-term rating of either of the Rating Agencies or the Liquidity Facility Provider has its short-term rating withdrawn by either of

the Rating Agencies, and the Liquidity Facility is not renewed or replaced by an alternative liquidity facility such that the then current rating of the Notes is not adversely affected, the Issuer will be entitled (but not obliged) to draw down the entirety of the undrawn portion of the Liquidity Facility.

***Eligible Investments***

The Cash Manager, on behalf of the Borrower (in respect of the Borrower Bank Accounts) and on behalf of the Issuer (in respect of the Issuer Transaction Account), will be entitled to invest certain cash credited to the Borrower Bank Accounts or any other bank account of the Borrower and the Issuer Transaction Account in Eligible Investments (as defined in "Summary of Principal Documents and Bank Accounts – Principal Documents – Cash Management Agreement" above), provided that, *inter alia*, such investments mature before the next succeeding Loan Payment Date.

## USE OF PROCEEDS

The gross proceeds of the issue of the Class A Notes and the Class B Notes, expected to amount to £101,440,710, will be applied by the Issuer to make the Discounted Advances under the Peverel/Issuer Loan Agreement, after making a retention in satisfaction of the lending fee payable to the Issuer by the Borrower under the Peverel/Issuer Loan Agreement, being an amount (expected to be £3,200,000) equal to the costs and expenses incurred by the Issuer in connection with the issue and listing of the Notes.

## THE PEVEREL GROUP

The Peverel Group has its origins as part of the McCarthy & Stone group of companies, which incorporated Peverel Management Services Limited in 1982 to provide property management and ancillary services to private retirement housing developments undertaken by McCarthy & Stone. In June 1993, Peverel Investments acquired the majority of the freehold and long leasehold reversionary interests relating to retirement housing developments owned within the McCarthy & Stone group. The management buy-out occurred in October 1993 and the interests so acquired still produce the major part of Ground Rents and Transfer Fees attributable to the portfolio. In November 1995, the Peverel Group was acquired by Peverel Holdings Limited, the majority shareholders in which are Holiday UK Limited Partnership ("**Holiday**") and Westminster Investments (UK) Limited ("**Westminster**"), a member of the Westminster Health Care Group, which is prominent in the nursing home, behavioural and diagnostic health care industry in the United Kingdom. Holiday is an affiliate of Holiday Retirement Corp., one of the largest operators of senior housing developments in the United States. On or after the Closing Date, Holiday or an affiliate of it intends to acquire, directly or through a wholly-owned subsidiary of it, the interest of Westminster in Peverel Holdings Limited. Alternatively, such interest may be acquired directly by Peverel Holdings Limited by way of a redemption or purchase thereof.

The Peverel Group has grown since November 1995 by acquisition of additional freehold and leasehold reversionary interest portfolios as described below. In particular, Peverel Property Investments Limited (formerly Care UK Investments Limited), the business of Haven (formerly operated within the Care UK Group of companies), O.M. Limited and its subsidiary undertakings and certain companies within the Retirement Care/Meridian Group of companies have been acquired, and the Peverel Group operations have expanded to include non-retirement housing.

Broadly, the Peverel Group operations comprise the following principal activities:

- (i) owning freehold and long leasehold reversionary interests in respect of both private sheltered housing developments and general residential housing developments;
- (ii) the provision of property management services as the agent appointed by the freehold or long leasehold reversionary owner with respect to 2,163 developments and 70,123 flats (as of 31 December 1999) in return for payment of management fees recoverable from tenants/lessees; and
- (iii) the provision of additional services to residents of the developments in question, including, in the case of sheltered housing developments, property re-sales and the provision of an emergency monitoring service known as Careline.



## THE BORROWER

### Introduction

The Borrower was incorporated in England and Wales on 23 August 1999 (registered number 3829939) with limited liability under the Companies Act 1985. The registered office of the Borrower is at Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR. The authorised share capital of the Borrower as of the date of this Offering Circular is £15,000,000, divided into 15,000,000 ordinary shares of £1 each, one of which has been issued and is held by Peverel Securitisation Limited. On the Closing Date, it is expected that the subsidiaries of the Borrower will be Retirement Care (Southern) Investments Limited, Peverel Freeholds Reversions Limited, Meridian Land & Investments Limited and their respective subsidiaries. The accounting reference date of the Borrower is 31 May.

### Principal Activities

The principal objects of the Borrower are set out in its Memorandum of Association and are, *inter alia*, to carry on the business of a general commercial company.

The Borrower has not, since its incorporation, engaged in any activities other than those incidental to its incorporation under the Companies Act 1985, the authorisation of its entry into the Finance Documents (as defined in the Conditions) to which it is or will be a party and matters which are incidental or ancillary to the foregoing.

### Directors and Secretary

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

Name	Business Address	Other Principal Activities
Nigel Gordon Bannister	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director Peverel Group
Martin Lee Dalby	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Finance Director Peverel Group
Keith Charles Rutherford	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director Peverel Group
Patrick Francis Kennedy	2025 First Avenue Suite 890 Seattle WA 98121 U.S.A.	Senior Vice President Holiday Retirement Corp

SFM Directors Limited of Blackwell House, Guildhall Yard, London EC2V 5AE, the principal activity of which is the management of special purpose companies, will be appointed as a director of the Borrower at the time of issue of the Notes.

Nigel Gordon Bannister is chairman of the Borrower. The company secretary of the Borrower is Martin Lee Dalby, whose business address is Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR.

The Borrower has no employees.

### Capitalisation and Indebtedness Statement

The capitalisation of the Borrower as at the date of this Offering Circular, adjusted for the Peverel/Issuer Loan Agreement, is as follows:

#### Share capital

Authorised share capital of 15,000,000 ordinary shares of which 1 share has been issued and is fully paid	£ 1
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#### Loan Capital

Class A Advance	98,451,000
Class B Advance	2,989,710
Borrower Subordinated Loan	1,700,000
Option Income Shortfall Loan	1,068,750
Total Capitalisation	<u>104,209,460</u>

Save for the foregoing, at the date of this Offering Circular, the Borrower has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

## **Accountant's Report**

The following is the text of a report received by the directors of Peverel Properties Limited from Ernst & Young, who are the auditors to Peverel Properties Limited:

30 March 2000

The Directors  
Peverel Properties Limited  
Queensway House  
11 Queensway  
New Milton  
Hampshire  
BH25 5NR

Merrill Lynch International  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9LY

Dear Sirs

### **Introduction**

We report on the financial information set out below. The financial information has been prepared for inclusion in the Offering Circular dated 30 March 2000 of the Issuer.

### **Basis of preparation**

The financial information set out below is based on the non-statutory financial statements of Peverel Properties Limited for the period ended 30 March 2000 to which no adjustments were considered necessary.

Peverel Properties Limited was incorporated on 20 August 1999 and the non-statutory financial statements of Peverel Properties Limited for the period ended 30 March 2000 were prepared for the purposes of the Offering Circular.

### **Responsibility**

Such financial statements are the responsibility of the directors of Peverel Properties Limited who approved their issue. The Issuer is responsible for the contents of the Offering Circular dated 30 March 2000 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity'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 Peverel Properties Limited as at 30 March 2000.

### Peverel Properties Limited

#### Balance Sheet 30 March 2000

	<i>Note</i>	£
<b>Current Assets</b>		
Cash at bank and in hand		1
		1
<b>Capital And Reserves</b>		
Called-up share capital	(ii)	1
Equity shareholders' funds		1

#### Notes to the Financial Information

##### (i) Accounting Policies

##### *Basis of preparation*

The financial information has been prepared under the historical cost convention.

The accounts are prepared in accordance with applicable accounting standards.

##### (ii) Share Capital

	£
<i>Authorised</i>	
Ordinary shares of £1 each	15,000,000
	15,000,000
<i>Allotted, called-up and fully paid</i>	
Ordinary shares of £1 each	1
	1

On incorporation on 23 August 1999 as a limited company, 1 ordinary share was issued at par credited as fully paid.

**Trading Activity**

Apart from the issue of shares described in note (ii) above, Peverel Properties Limited has not entered into any other transactions since incorporation.

Yours faithfully

**Ernst & Young**

## INFORMATION ON THE PROPERTY PORTFOLIO

The following tables summarise the securitised portfolio (including properties in respect of which amounts have been deposited in the Suspended Advances Account) by various criteria as at 8 March 2000, and there have been no material changes in respect of the securitised portfolio since such date (save that 3 Properties, comprising 32 Apartments and producing an aggregate Ground Rent of £694, are no longer included in the securitised portfolio).

Portfolio <sup>(1)(2)</sup>	No. of Properties	No. of Apts.	Current Ground Rent (£)	%	Inflated Ground Rent (£)	%
Current Portfolio.....	1,306	37,790	4,711,823	90.85%	7,261,451	93.87%
Peveler Options .....	96	4,388	474,444	9.15%	474,444	6.13%
<b>Total .....</b>	<b>1,402</b>	<b>42,178</b>	<b>5,186,267</b>	<b>100.00%</b>	<b>7,735,895</b>	<b>100.00%</b>

Development Location <sup>(1)(3)</sup>	No. of Properties	No. of Apts.	Current Ground Rent (£)	%	Inflated Ground Rent (£)	%
South East.....	352	11,375	1,657,377	35.18%	2,647,946	36.47%
Greater London.....	208	8,678	1,037,427	22.02%	1,446,361	19.92%
South West.....	170	5,010	713,932	15.15%	1,168,659	16.09%
North West.....	160	3,498	380,155	8.07%	583,031	8.03%
East Anglia .....	154	3,420	322,416	6.84%	483,930	6.66%
West Midlands .....	100	2,377	248,375	5.27%	384,746	5.30%
North.....	40	804	119,413	2.53%	190,148	2.62%
Wales .....	30	1,151	115,824	2.46%	182,519	2.51%
Yorkshire & Humberside.....	51	668	73,573	1.56%	110,175	1.52%
East Midlands .....	41	809	43,331	0.92%	63,936	0.88%
<b>Total .....</b>	<b>1,306</b>	<b>37,790</b>	<b>4,711,823</b>	<b>100.00%</b>	<b>7,261,451</b>	<b>100.00%</b>

Year of Lease <sup>(1)(3)</sup>	No. of Properties	No. of Apts.	Current Ground Rent (£)	%	Inflated Ground Rent (£)	%
1978 .....	5	154	18,400	0.39%	18,400	0.25%
1979 .....	3	152	22,648	0.48%	35,469	0.49%
1980 .....	21	298	22,748	0.48%	50,658	0.70%
1981 .....	155	1,554	80,454	1.71%	148,861	2.05%
1982 .....	191	2,790	196,044	4.16%	375,796	5.18%
1983 .....	155	2,324	195,367	4.15%	354,964	4.89%
1984 .....	87	2,839	247,795	5.26%	437,800	6.03%
1985 .....	66	3,301	462,569	9.82%	784,555	10.80%
1986 .....	50	1,920	303,963	6.45%	494,761	6.81%
1987 .....	126	5,374	779,552	16.54%	1,248,381	17.19%
1988 .....	119	4,864	863,892	18.33%	1,323,585	18.23%
1989 .....	95	3,672	521,386	11.07%	733,295	10.10%
1990 .....	52	1,713	196,399	4.17%	261,447	3.60%
1991 .....	25	871	138,904	2.95%	169,303	2.33%
1992 .....	34	1,232	217,802	4.62%	265,941	3.66%
1993 .....	19	704	66,740	1.42%	77,496	1.07%
1994 .....	30	999	77,086	1.64%	111,437	1.53%
1995 .....	17	987	92,695	1.97%	122,312	1.68%
1996 .....	22	1,256	129,315	2.74%	163,144	2.25%
1997 .....	18	383	36,640	0.78%	41,599	0.57%
1998 .....	15	375	40,024	0.85%	40,815	0.56%
1999 .....	1	28	1,400	0.03%	1,431	0.02%
<b>Total .....</b>	<b>1,306</b>	<b>37,790</b>	<b>4,711,823</b>	<b>100.00%</b>	<b>7,261,451</b>	<b>100.00%</b>

<b>Ground Rent Uplift Basis<sup>(1)(3)</sup></b>	<b>No. of Properties</b>	<b>No. of Apts.</b>	<b>Current Ground Rent (£)</b>	<b>%</b>	<b>Inflated Ground Rent (£)</b>	<b>%</b>
RPI.....	518	22,728	4,002,876	84.95%	6,378,784	87.84%
Market Value.....	603	7,902	268,760	5.70%	268,760	3.70%
Fixed.....	53	2,219	179,951	3.82%	353,671	4.87%
None.....	132	4,941	260,236	5.52%	260,236	3.58%
<b>Total.....</b>	<b>1,306</b>	<b>37,790</b>	<b>4,711,823</b>	<b>100.00%</b>	<b>7,261,451</b>	<b>100.00%</b>

<b>Owned Interest<sup>(1)(3)(4)</sup></b>	<b>No. of Properties</b>	<b>No. of Apts.</b>	<b>Current Ground Rent (£)</b>	<b>%</b>	<b>Inflated Ground Rent (£)</b>	<b>%</b>
Freehold.....	838	32,050	4,477,318	95.02%	6,933,019	95.48%
Leasehold.....	468	5,740	234,505	4.98%	328,432	4.52%
<b>Grand Total.....</b>	<b>1,306</b>	<b>37,790</b>	<b>4,711,823</b>	<b>100.00%</b>	<b>7,261,451</b>	<b>100.00%</b>

<b>Property Charging Company<sup>(1)(3)</sup></b>	<b>No. of Properties</b>	<b>No. of Apts.</b>	<b>Current Ground Rent (£)</b>	<b>%</b>	<b>Inflated Ground Rent (£)</b>	<b>%</b>
Peverel Investments.....	412	19,040	3,510,178	74.50%	5,632,669	77.57%
Peverel Property Investments Limited.....	98	4,067	504,075	10.70%	774,319	10.66%
O.M. Limited.....	721	12,631	453,950	9.63%	544,975	7.51%
Meridian Land & Investments Limited.....	50	1,445	125,418	2.66%	163,608	2.25%
Retirement Care (Southern) Investments Limited...	16	390	104,315	2.21%	124,275	1.71%
Balfour Freeholds Limited.....	7	147	11,210	0.24%	18,114	0.25%
Lincourt Management Services Limited.....	2	70	2,677	0.06%	3,491	0.05%
<b>Total.....</b>	<b>1,306</b>	<b>37,790</b>	<b>4,711,823</b>	<b>100.00%</b>	<b>7,261,451</b>	<b>100.00%</b>

<b>Estimated Future Ground Rent<sup>(1)(3)</sup></b>	<b>Assumed Future Inflation</b>			
	<b>0.00%</b>	<b>1.00%</b>	<b>2.00%</b>	<b>3.00%</b>
2000.....	4,731,594	4,731,688	4,731,783	4,731,876
2001.....	4,751,539	4,752,111	4,752,684	4,753,261
2002.....	4,814,525	4,817,835	4,821,185	4,824,575
2003.....	4,913,074	4,923,269	4,933,682	4,944,317
2004.....	5,006,904	5,024,531	5,042,592	5,061,096
2009.....	5,875,117	6,061,101	6,260,074	6,472,862
2014.....	7,041,231	7,624,134	8,264,069	8,966,306
2019.....	7,171,395	7,833,041	8,565,425	9,376,003
2024.....	7,219,916	7,991,204	8,862,729	9,848,938
2029.....	7,251,699	8,199,591	9,311,208	10,620,003
2034.....	7,261,451	9,188,730	11,739,201	15,117,950

## Transfer Fee History

Period	Total Transfers <sup>(5)</sup>	Average Resale Price <sup>(6)</sup>	Transfer Fees Collected <sup>(5)</sup>
Year ending 31 May 1997 .....	1,711	42,410	664,678
Year ending 31 May 1998 .....	2,179	46,675	920,658
Year ending 31 May 1999 .....	2,421	48,694	1,080,188

## Ground Rent Billing and Payment History

Month	Opening Rent Due	Billed	Collected	Closing Rent Due
January 1997.....	78,106	0	41,920	36,186
February 1997.....	36,186	0	11,660	24,526
March 1997.....	24,526	1,610,827	917,709	717,644
April 1997.....	717,644	252,064	710,405	259,303
May 1997.....	259,303	0	83,546	175,757
June 1997.....	175,757	0	72,881	102,876
July 1997.....	102,876	25,727	0	128,603
August 1997.....	128,603	0	28,426	100,177
September 1997.....	100,177	1,582,265	486,619	1,195,823
October 1997.....	1,195,823	252,572	1,015,380	433,015
November 1997.....	433,015	2,833	76,158	359,690
December 1997.....	359,690	0	50,000	309,690
January 1998.....	309,690	21,314	0	331,004
February 1998.....	331,004	0	53,006	277,998
March 1998.....	277,998	1,584,723	619,464	1,243,257
April 1998.....	1,243,257	246,425	1,075,822	413,860
May 1998.....	413,860	0	154,636	259,224
June 1998.....	259,224	0	93,537	165,687
July 1998.....	165,687	105,000	86,473	184,214
August 1998.....	184,214	0	69,071	115,143
September 1998.....	115,143	1,594,915	585,877	1,124,181
October 1998.....	1,124,181	289,503	1,160,071	253,613
November 1998.....	253,613	0	126,541	127,072
December 1998.....	127,072	2,281	3,773	125,580
January 1999.....	125,580	66,756	21,049	171,287
February 1999.....	171,287	9,988	32,894	148,381
March 1999.....	148,381	1,584,013	1,131,575	600,819
April 1999.....	600,819	277,696	436,850	441,665
May 1999.....	441,665	16,134	276,119	181,680
June 1999.....	181,680	18,242	8,481	191,441
July 1999.....	191,441	100,919	65,813	226,547
August 1999.....	226,547	467	84,627	142,387
September 1999.....	142,387	1,575,710	657,515	1,060,582
October 1999.....	1,060,582	264,105	996,065	328,622
November 1999.....	328,622	0	152,399	176,223
December 1999.....	176,223	23,672	36,580	163,315
January 2000.....	163,315	75,508	28,630	210,193

- (1) Inflated Ground Rent represents the annual Ground Rent that is assumed to be payable in 2034. Future inflation is assumed to be 0%, unless noted otherwise, based on a December 1999 RPI Index of 167.30. The figures reflect second Ground Rent uplifts which occur through 2034. With respect to certain developments owned by Peverel Investments, the periodicity of subsequent uplifts differs by up to two years from that of the first. The figures shown assume such subsequent uplifts occur with the same frequency as the first uplift.
- (2) Figures relating to the Peverel Options assume leases have been granted over all Apartments in the relevant development.
- (3) Does not include Peverel Options.
- (4) Certain properties comprise both freehold and leasehold interests and have been allocated to only one category.
- (5) Reflects transfers with respect to properties managed by Peverel Management Services Limited only.
- (6) Average resale price based on transfers handled by Peverel's re-sales division (850, 1040, and 1,217 respectively).



## Investor Reports

The Borrower shall provide reports relating to the Properties on a semi-annual basis to the Issuer. Subject to applicable laws and regulations and to the extent lawful without any special approvals, the Issuer will arrange for investor reports to be obtainable in Luxembourg at the offices of the Luxembourg paying agent whilst the Notes are listed on the Luxembourg Stock Exchange and (subject as aforesaid) will make such investor reports available on Bloomberg (or other similar financial news media) under the tickers of the Class A and Class B Notes and (subject as aforesaid) will also provide such investor reports to the Note Trustee and the Rating Agencies, in each case within one calendar month of the end of each Interest Period.

The information contained in the investor reports will include the following:

- Ground Rent billed
- Ground Rent received
- Transfer Fees received
- Ground Rent/Debt Service Ratio
- Cash Reserve Required Amount
- Cash Reserve Account balance
- Options Exercise Account balance
- Suspended Advances Account balance
- Stamp Duty Reserve Account balance
- Further Acquisitions Account balance
- Liquidity Facility drawn balance
- Class A Notes balance
- Details of any material changes in the Properties, including enfranchisements.

## Property Due Diligence

In connection with the property due diligence on this transaction, Nabarro Nathanson has carried out the following limited investigation and produced a property due diligence matrix (the "**Property Due Diligence Matrix**") comprising the matrices set out below.

### *Title Matrix*

Office Copy Register Entries have been obtained for all of the title numbers shown in the title matrix as relating to the 1,306 developments shown above which have registered title, confirming the name of the registered proprietor of that property, its address and title number, its freehold or leasehold status and whether there is any registered charge or restriction on charging which will require release on the Closing Date. In relation to the relatively small number of properties, comprised within the above-mentioned developments, which have unregistered freehold or leasehold title, Nabarro Nathanson has reviewed the conveyance (or a copy of it) in relation to unregistered freehold title or, in relation to unregistered leasehold title, the lease (or a copy of it) for the purpose of confirming the name of the relevant Property Charging Company as lessee or freeholder (as appropriate), the date and term of the lease and the property address and has carried out a Land Charges search against the name to establish whether there is any financial charge registered at the Land Charges Registry against the property. No documents, information or records supplemental to the unregistered leases or conveyances have been reviewed. Land Registry searches have been carried out in relation to all of the titles shown in the title matrix as being registered freehold or leasehold properties for the purpose of obtaining information as to any registered financial charges or restrictions on charging which may have been registered since the date of the office copy register entries which will require release on the Closing Date. Land Charges and Land Registry searches were generally carried out between December 1999 and February 2000 and were not renewed. The title numbers in the title matrix have been provided to Nabarro Nathanson by the Property Charging Companies who have confirmed that, to the best of their knowledge and belief, such title numbers

comprise the whole of the development concerned. No independent verification thereof has been undertaken by Nabarro Nathanson.

#### *Supplemental Matrix*

In relation to a small number of Properties (12) the relevant Property Charging Company has not yet been registered at the Land Registry as the proprietor thereof. Land Registry searches have been carried out in relation to the titles shown in this matrix to establish that there are applications pending at the Land Registry to register a Property Charging Company as proprietor of that property following its recent acquisition. No enquiries have been made as to whether there is any reason why such Land Registry application should be rejected. The Suspended Advances Account includes a provision in relation to the developments which are identified in this matrix.

#### *Occupational Lease Matrix*

This matrix has been completed following a review of leases of randomly selected sample developments chosen for the purpose of this matrix. One lease from each of the developments listed in the matrix has been reviewed. Each sample lease has been reviewed for the purpose of obtaining the following information only: term length and commencement date; ground rent at commencement of term; basis of review of ground rent; rent payment dates; rent indexation dates to 2035; calculation of transfer fees; whether there is provision for forfeiture of the lease for non-payment of rent; and whether the ground rent is payable without set-off or counter-claim. Other provisions in the lease have not been reviewed. No documents, information or records supplemental to the sample leases have been reviewed and no searches or enquiries raised of the parties to the lease or of any third party. Nabarro Nathanson is not in a position to identify any variations between those leases which it has reviewed and any other leases within the relevant development.

#### *Reversionary Leasehold Matrix*

This matrix has been completed following a review of reversionary leases relating to 36 sample leasehold developments chosen to include the 26 developments identified by the Borrower as contributing the highest ground rents and otherwise randomly selected for the purpose of this matrix. One lease (or a copy of it) has been reviewed with respect to each development for the purpose of confirming the date and term of the lease, permitted user, ground rent and review provisions (if any), service charge payable (if any), rights to assign, charge and/or underlet and any restrictions thereon, the required notice to be given on dealings with the lease and fee payable (if any), and the events giving rise to forfeiture of the lease on tenant default. Other provisions have generally not been reported on or reviewed, but any unusual provisions have been mentioned in the comments column in the matrix. No documents, information or records supplemental to the sample leases have been reviewed unless specifically referred to on the matrix. No searches or enquiries have been raised of the parties to the lease or of any third party.

## THE ISSUER

### Introduction

The Issuer was incorporated in the Cayman Islands on 12 November 1999 with company number 94098 as a company with limited liability under the Companies Law (1998 Revision) of the Cayman Islands which is also the relevant primary legislation under which the Issuer operates. The registered office of the Issuer is located at Ugland House, P.O. Box 309, George Town, Grand Cayman, Cayman Islands, British West Indies at which the Issuer's register of members is kept. The authorised share capital of the Issuer is U.S.\$50,000 comprising 50,000 ordinary shares of U.S.\$1.00 each, two of which are fully paid up and held by Peverel Securitisation Limited. The Issuer has no subsidiaries. The accounting reference date of the Issuer is 31 May.

### Principal Activities

The principal purpose of the Issuer is to issue the Notes and enter into all financial arrangements in connection with such issue.

### Directors and Secretary

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

Name	Business Address	Other Principal Activities
Martin Lee Dalby	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Finance Director Peverel Group
Nigel Gordon Bannister	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director Peverel Group
Keith Charles Rutherford	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director Peverel Group
Patrick Francis Kennedy	2025 First Avenue Suite 890 Seattle WA 98121 U.S.A.	Senior Vice President Holiday Retirement Corp

SFM Directors Limited of Blackwell House, Guildhall Yard, London EC2V 5AE, the principal activity of which is the management of special purpose companies, will be appointed as a director of the Issuer at the time of issue of the Notes.

The Issuer has no employees.

**Capitalisation and Indebtedness Statement**

The capitalisation of the Issuer as at the date of this Offering Circular, adjusted for the Notes to be issued on the Closing Date and the Peverel/Issuer Loan Agreement is as follows:

**Share capital**

Authorised and issued: .....	US\$
2 ordinary shares of U.S.\$1.00, each of which 2 shares have been issued fully paid .....	<u>2</u>

**Loan Capital<sup>1</sup>**

Class A Notes .....	156,359,878
Class B Notes .....	<u>4,748,257</u>
	<u>161,108,136</u>

The Issuer will enter into the Liquidity Facility Agreement described under "Summary of Principal Documents and Bank Accounts" to enable the Issuer to borrow monies in order to fund liquidity shortfalls.

Save for the foregoing, at the date of this Offering Circular, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

<sup>1</sup> Figures calculated by applying the relevant exchange rate as of close of business on 27 March 2000.

## **Accountant's Report**

The following is the text of a report received by the Directors of the Issuer from Ernst & Young, who are the auditors of Peverel Funding Limited:

30 March 2000

The Directors  
Peverel Funding Limited  
Ugland House  
PO Box 309  
George Town  
Grand Cayman  
Cayman Islands  
British West Indies

Merrill Lynch International  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9LY

Dear Sirs

### **Introduction**

We report on the financial information set out below. This financial information has been prepared for inclusion in the Offering Circular dated 30 March 2000 of Peverel Funding Limited.

### **Basis of preparation**

The financial information set out below is based on the non-statutory financial statements of Peverel Funding Limited for the period ended 30 March 2000 to which no adjustments were considered necessary.

Peverel Funding Limited was incorporated on 12 November 1999 and the non-statutory financial statements of Peverel Funding Limited for the period ended 30 March 2000 were prepared for the purposes of the Offering Circular.

### **Responsibility**

Such financial statements are the responsibility of the directors of Peverel Funding Limited who approved their issue.

Peverel Funding Limited is responsible for the contents of the Offering Circular dated 30 March 2000 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements

made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity'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 Issuer as at 30 March 2000 .

**Peverel Funding Limited**

**Balance Sheet  
30 March 2000**

	<i>Note</i>	<u>\$</u>
<b>Current Assets</b>		
Cash at bank and in hand .....		<u>2</u>
		<u>2</u>
<b>Capital And Reserves</b>		
Called-up share capital .....	(ii)	<u>2</u>
Equity shareholders' funds .....		<u>2</u>

**Notes to the Financial Information**

**(i) Accounting Policies**

***Basis of preparation***

The financial information has been prepared under the historical cost convention.

The accounts are prepared in accordance with applicable accounting standards.

(ii) **Share Capital**

<i>Authorised</i>	\$
Ordinary shares of U.S.\$1.00 each .....	<u>2</u>
	<u>2</u>
	\$
<i>Allotted, called-up and fully paid</i>	
Ordinary shares of U.S.\$1.00 each .....	<u>2</u>
	<u>2</u>

On incorporation on 12 November 1999 as a limited company, 2 ordinary shares were issued at U.S.\$1.00 each. All shares are fully paid.

**Trading Activity**

Apart from the issue of shares described in note (ii) above, Peverel Funding Limited has not entered into any other transactions since incorporation.

Yours faithfully

**Ernst & Young**  
Chartered Accountants

## THE LIQUIDITY FACILITY PROVIDER

*The description of the Liquidity Facility Provider set out below has been provided by the Liquidity Facility Provider. The Liquidity Facility Provider has not, however, been involved in the preparation of, and does not take responsibility for, this Offering Circular as a whole.*

Lloyds TSB Bank plc ("**LTSB**"), acting through its Corporate and Commercial Banking Division located at St. George's House, 6-8 Eastcheap, London EC3M 1AE, will act as the Liquidity Facility Provider under the Liquidity Facility Agreement. LTSB is a wholly-owned banking subsidiary of Lloyds TSB Group plc ("**LTSB Group**"), and is regulated by the Personal Investment Authority and IMRO. LTSB carries short-term credit ratings of A-1+/P-1 and long-term credit ratings of AA/Aa1 from S&P and Moody's Investors Service Inc. respectively.

LTSB Group is a leading UK-based financial services group, whose subsidiaries and associated companies provide a comprehensive range of banking and financial services in the United Kingdom. LTSB Group was incorporated in Scotland in 1985 and was formed from the merger of Lloyds Bank Plc and TSB Group Plc. These two banking groups had themselves grown through a series of mergers involving banks whose origins in some cases dated back to the eighteenth century.

At 31 December 1999, LTSB Group employed over 76,000 people, had total group assets of £176 billion and a market capitalisation of £42.4 billion.



## SUMMARY OF PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

The Class A Notes (which shall each be in the denomination of £50,000) will be represented initially by a temporary global note in bearer form without interest coupons or talons in the principal amount of £100,000,000 (the "**Class A Temporary Global Note**") and the Class B Notes (which shall each be in the denomination of £50,000) will be represented initially by a temporary global note in bearer form without interest coupons or talons in the principal amount of £3,000,000 (the "**Class B Temporary Global Note**", and together with the Class A Temporary Global Note, the "**Temporary Global Notes**"). The Class A Temporary Global Note and the Class B Temporary Global Note will be deposited on behalf of the subscribers of the Class A Notes and the Class B Notes respectively, with the Common Depositary on or about the Closing Date. Upon deposit of the Temporary Global Notes, Euroclear and/or Clearstream, Luxembourg will credit each subscriber with a principal amount of Class A Notes, or as the case may be, Class B Notes equal to the principal amount thereof for which each such subscriber has subscribed and paid.

Interests in the Class A Temporary Global Note will become exchangeable on the Exchange Date (as defined in the Class A Temporary Global Note) (provided certification of non-U.S. beneficial ownership by the holders of the Class A Notes has been received) for interests in a permanent global note, in bearer form without interest coupons or talons in the principal amount of £100,000,000 (the "**Class A Permanent Global Note**") (the expression "**Class A Global Notes**" meaning the Class A Temporary Global Note and the Class A Permanent Global Note and the expression "**Class A Global Note**" meaning the Class A Temporary Global Note or the Class A Permanent Global Note, as the context may require). On the exchange of the Class A Temporary Global Note for the Class A Permanent Global Note, the Class A Permanent Global Note will remain deposited with the Common Depositary.

Interests in the Class B Temporary Global Note will become exchangeable on the Exchange Date (as defined in the Class B Temporary Global Note) (provided certification of non-U.S. beneficial ownership by the holders of the Class B Notes has been received) for interests in a permanent global note, in bearer form without interest coupons or talons in the principal amount of £3,000,000 (the "**Class B Permanent Global Note**", and together with the Class A Permanent Global Note, the "**Permanent Global Notes**") (the expression "**Class B Global Notes**" meaning the Class B Temporary Global Note and the Class B Permanent Global Note, the expression "**Class B Global Note**" meaning the Class B Temporary Global Note or the Class B Permanent Global Note, as the context may require, and the expression "**Global Notes**" meaning the Class A Global Notes and the Class B Global Notes). On the exchange of the Class B Temporary Global Note for the Class B Permanent Global Note, the Class B Permanent Global Note will remain deposited with the Common Depositary.

The Global Notes will be transferable by delivery. The Permanent Global Notes will be exchangeable for Definitive Notes (as defined in the Conditions) only in the limited circumstances described below. Each of the persons shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a Note will be entitled to receive any payment so made in respect of that Note in accordance with the respective rules and procedures of Euroclear or, as the case may be, Clearstream, Luxembourg. Each such person must give a certificate as to non-U.S. beneficial ownership as of the earlier of (i) the date on which the Issuer is obliged to exchange the Class A Temporary Global Note or, as the case may be, the Class B Temporary Global Note, for the Class A Permanent Global Note or, as the case may be, the Class B Permanent Global Note, which date shall be no earlier than the Exchange Date (as defined in the Class A Temporary Global Note or, as the case may be, the Class B Temporary Global Note) and (ii) the first Interest Payment Date, in order to obtain any interest payment due on the Notes.

For so long as any Notes are represented by the Global Notes, interests in such Notes will be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg as appropriate.

For so long as any of the Notes are represented by the Global Notes, each person who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular principal amount of such

Notes, will be entitled to be treated by the Issuer and the Note Trustee as a holder of such principal amount of such Notes, and the expression "Noteholder" shall be construed accordingly, but without prejudice to the entitlement of the bearers of the Global Notes to be paid principal and interest thereon in accordance with and subject to their terms. Any statement in writing issued by Euroclear or Clearstream, Luxembourg as to the persons shown in its records as being entitled to the Notes and the respective principal amounts of Notes held by them shall be conclusive for all purposes.

Principal of and interest on a Global Note will be payable against presentation of that Global Note at the specified office of the Principal Paying Agent or, at the option of the holder, at any specified office of any Paying Agent, provided that no payment of interest on a Global Note may be made by, or upon presentation of that Global Note to, any Paying Agent in the United States and subject to certification as to non-U.S. beneficial ownership as mentioned above having been received by Euroclear or Clearstream, Luxembourg. A record of each payment made on a Global Note, distinguishing between any payment of principal and payment of interest, will be endorsed for the purpose of making such payment, and such record shall be *prima facie* evidence that the payment in question has been made.

If after the Exchange Date (as defined in the Class A Temporary Global Note or the Class B Temporary Global Note, as appropriate), (i) the principal amount of the Notes becomes immediately due and payable by reason of default, or (ii) either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business and no alternative clearing system satisfactory to the Note Trustee is available, or (iii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom or the Cayman Islands (or of any political sub-division thereof) or of any authority therein or thereof having power to tax, or in the interpretation or administration of such laws or regulations, which becomes effective on or after the date of this Offering Circular, the Issuer or any Paying Agent is or will be required to make any deduction or withholding on account of tax from any payment in respect of any Notes which would not be required, were such Notes in definitive form, then the Issuer will issue Definitive Notes at its sole cost and expense in exchange for the Permanent Global Notes within 30 days of the occurrence of the relevant event in (i), (ii) or (iii) above, subject in each case to certification as to non-U.S. beneficial ownership as mentioned above having been received by Euroclear or Clearstream, Luxembourg.

Any notice to Noteholders in respect of Notes represented by Global Notes shall be deemed to have been duly given if sent to Euroclear and/or Clearstream, Luxembourg (as applicable) and published in accordance with Condition 15, provided that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of the exchange so require, notice shall also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be the *Luxemburger Wort*).

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes (subject to completion and amendment) in the form in which they will be set out in the Trust Deed.*

The £100,000,000 Class A Secured 6.06 per cent. Notes due 2036 (the "Class A Notes"), and the £3,000,000 Class B Secured 7.35 per cent. Notes due 2036 (the "Class B Notes", together with the Class A Notes, the "Notes") of Peverel Funding Limited (the "Issuer") will be constituted by, are subject to and have the benefit of a trust deed dated the Closing Date (as amended or supplemented from time to time, the "Trust Deed") between the Issuer and Bankers Trustee Company Limited as note trustee (the "Note Trustee", which expression includes all persons for the time being trustee or trustees appointed under the Trust Deed) and are the subject of a paying agency agreement appointing the initial Paying Agents (as defined below) dated the Closing Date (as amended or supplemented from time to time, the "Paying Agency Agreement") between the Issuer, Deutsche Bank AG, acting through its London branch, as principal paying agent (the "Principal Paying Agent", which expression includes any Successor appointed from time to time in connection with the Notes), the paying agents named therein (together with the Principal Paying Agent, the "Paying Agents", which expression includes any Successor or additional paying agents appointed from time to time in connection with the Notes) and the Note Trustee, pursuant to which provision is made for, *inter alia*, the payment of principal and interest on the Notes. Certain provisions of these Conditions are summaries of the Trust Deed and the Paying Agency Agreement and are subject to their detailed provisions. The holders of the Class A Notes (the "Class A Noteholders"), the holders of the Class B Notes (the "Class B Noteholders" and together with the Class A Noteholders, the "Noteholders"), and the holders of the related interest and principal coupons (the "Couponholders" and the "Coupons", respectively) and talons (the "Talons") are bound by, and are deemed to have notice of, all the provisions of the Master Definitions Schedule, the Trust Deed, the Post Enforcement Call Option, the Deed of Charge and the Paying Agency Agreement applicable to them. Copies of the Master Definitions Schedule, the Trust Deed, the Post Enforcement Call Option, the Deed of Charge and the Paying Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Note Trustee, being at the date hereof Winchester House, 1 Great Winchester Street, London EC2N 2DB and at the Specified Offices of each of the Paying Agents.

### 1. Form, Denomination and Title

The Notes are in bearer form in the denomination of £50,000 each with Coupons and Talons attached at the time of issue of Notes in definitive form (the "Definitive Notes"). Title to the Notes and the Coupons and Talons will pass by delivery. The holder of any Note, Coupon or Talon shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

### 2. Status, Guarantee, Security and Priority

#### (A) Status and relationship between the Notes

- (a) The Class A Notes and the Coupons relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the Class B Notes. The Class A Notes rank *pari passu* without preference or priority amongst themselves.
- (b) The Class B Notes and the Coupons relating thereto constitute direct, secured and unconditional obligations of the Issuer and are secured by the same security that secures the Class A Notes. The Class B Notes rank *pari passu* without preference or priority amongst themselves but the Class A Notes will rank in priority to the Class B Notes in the event of the Note Security (as defined below) being enforced. Prior to enforcement of the Note Security, payments of principal, interest and other amounts on the Class B Notes are

subordinated to, *inter alia*, payments of principal, interest and other amounts on the Class A Notes as provided herein. The rights of the Class B Notes in respect of priority of payment of interest, principal and other amounts are set out in Conditions 2(B), 4 (*Interest*) and 5 (*Redemption and Purchase*).

- (c) The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the Class A Noteholders and the Class B Noteholders, as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise), but requiring the Note Trustee in any such case to have regard only to (for so long as there are any Class A Notes outstanding (as that term is defined in the Trust Deed)) the interests of the Class A Noteholders if, in the Note Trustee's opinion, there is a conflict between the interests of:
- (i) the Class A Noteholders; and
  - (ii) the Class B Noteholders.

So long as any of the Notes remain outstanding, the Note Trustee is not required to have regard to the interests of any other persons entitled to the benefit of the Note Security.

- (d) The Trust Deed contains provisions limiting the powers of the Class B Noteholders, *inter alia*, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution (as defined in the Trust Deed) according to the effect thereof on the interests of the Class A Noteholders or, as the case may be, the Class B Noteholders. Except in certain circumstances, the Trust Deed contains no such limitation on the powers of the Class A Noteholders, or if there are no Class A Notes outstanding, the Class B Noteholders, the exercise of which will be binding on the Class B Noteholders, irrespective of the effect thereof on their interests.

(B) *Guarantee of the Notes*

Each of the Charging Companies has, under the Deed of Charge, unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Issuer Secured Obligations. These guarantees (the "**Guarantees**") constitute direct, general and unconditional obligations of the Charging Companies, which will at all times rank at least *pari passu* with all other present and future obligations of the Charging Companies, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

(C) *Security*

As security for the payment of all monies payable in respect of the Notes and the Coupons and otherwise under the Trust Deed (including the remuneration, expenses and any other claims of the Note Trustee and any receiver appointed thereunder or under the Deed of Charge), and for the payment of certain other amounts, the Issuer has entered into the Deed of Charge creating the following security (the "**Issuer Security**") in favour of the Note Trustee for itself and on trust for the other persons to whom secured amounts are owing:

- (i) an assignment by way of a first fixed security of the Issuer's right, title, interest and benefit, present and future, in, to and under:
  - (A) the Peverel/Issuer Loan Agreement;
  - (B) each of the other Finance Documents to which it is or may become a party;
  - (C) all other contracts, agreements, deeds and documents to which it is or may become a party; and
  - (D) all rights to receive payment of any amounts which are due to the Issuer from any governmental or revenue authority.

- (ii) a sub-charge and/or, as applicable, an assignment by way of a first fixed security of the Issuer's interest in the security interests, present and future, created in favour of the Security Trustee under the Borrower Debenture;
- (iii) an assignment by way of first fixed security of the Issuer's right, title and interest and benefit, present and future, in, to and under all Issuer Monetary Claims, other than (i) any claims which are otherwise subject to a fixed charge or assignment (at law or in equity) and (ii) the bank account into which amounts paid on subscription of the share capital of the Issuer were paid;
- (iv) an assignment by way of a first fixed security of the Issuer's right, title, interest and benefit, present and future, in and to all amounts in the Issuer Transaction Account and any replacement for such accounts or other bank accounts of the Issuer from time to time, other than the bank account into which amounts paid on subscription of the share capital of the Issuer were paid;
- (v) an assignment by way of first fixed security of its rights, title, interest and benefit, present and future, in, to and under certain investments permitted to be made by the Issuer pursuant to the Cash Management Agreement; and
- (vi) a first floating charge (ranking behind the claims of certain preferential and other creditors) over all of the property, assets and undertakings of the Issuer not subject to fixed security, other than the bank account into which amounts paid on subscription of the share capital of the Issuer were paid,

all as more particularly set out in the Deed of Charge.

As further security for the Issuer Secured Obligations, Peverel Limited has entered into the Deed of Charge creating a first ranking fixed equitable charge (the "PL Security") over its shares in Peverel Limited in favour of the Note Trustee for itself and on trust for the other persons to whom secured amounts are owing.

As security for the payment of all monies payable in respect of the Guarantees, each of the Charging Companies has entered into the Deed of Charge creating, *inter alia*, the following security (together with the Issuer Security and the PL Security, the "Note Security") in favour of the Note Trustee for itself and on trust for the other persons to whom secured amounts are owing:

- (i) a first fixed equitable mortgage of all its shares in any member of the Securitisation Group (other than the Optionholder);
- (ii) a first fixed charge by way of legal mortgage of its interests (if any) (present and future) in the Properties (other than any leasehold interests in respect of which the landlord's consent to charge is required, until and unless such consent is given);
- (iii) an assignment by way of first fixed security of its rights, title and interests in, to and under (i) monies standing to the credit of the Estate Accounts and the PMS Client Account in respect of Ground Rents and Transfer Fees and (ii) the Peverel Options;
- (iv) an assignment by way of first fixed security of all its right, title and interest to, in and under all present and future agreements, contracts, deeds, licences, undertakings, guarantees, covenants, warranties, representations and other documents entered into by or given to it in respect of any present or future Reversionary Interests of such Charging Company; and
- (v) a first ranking floating charge over all assets and undertaking of such Charging Company not effectively charged by the first ranking fixed security interests referred to above (other than (i) any leasehold interests in respect of which the landlord's consent to charge is required, until and unless such consent is given and (ii) any shares in the Optionholder),

all as more particularly set out in the Deed of Charge.

On enforcement of the Note Security, the Note Trustee is required to apply monies available for distribution in or towards the satisfaction of the following amounts in the following order of priority:

- (a) *first*, to meet the remuneration, costs and expenses of the Note Trustee (inclusive of any value added tax, which may be chargeable at the then applicable rate) and any costs, charges, liabilities and expenses incurred by the Note Trustee or any receiver under the Trust Deed, the Conditions, the Deed of Charge or any of the other Finance Documents;
- (b) *second, pro rata*, in or towards satisfaction of the fees and expenses (inclusive of any value added tax, which may be chargeable at the then applicable rate) and any costs, charges, liabilities, indemnity claims and expenses incurred by or owed to the Paying Agents under the provisions of the Paying Agency Agreement;
- (c) *third*, in or towards payment of amounts due but unpaid to the Liquidity Facility Provider under the Liquidity Facility Agreement, other than any sums payable in respect of the Associated Costs Rate (as defined in the Liquidity Facility Agreement);
- (d) *fourth*, in or towards payment *pro rata* among the Class A Notes of all amounts of interest, principal and any other amounts due but unpaid in respect of the Class A Notes;
- (e) *fifth*, in or towards payment *pro rata* among the Class B notes of all amounts of interest, principal and any other amounts due but unpaid in respect of the Class B Notes;
- (f) *sixth*, in or towards satisfaction of amounts due to the Liquidity Facility Provider in respect of the Associated Costs Rate;
- (g) *seventh*, in or towards making a provision equivalent to 0.005 per cent. of the then Principal Amount Outstanding of the Notes (disregarding the payments to be made at such time under *fourth* and *fifth* above); and
- (h) *eighth*, the balance (if any) to the Issuer or other persons entitled thereto.

### 3. Negative Pledge

So long as any of the Notes remains outstanding (as defined in Condition 19), the Issuer shall not, save to the extent permitted or contemplated by the Finance Documents or with the prior written consent of the Note Trustee:

- (a) create or permit to subsist any mortgage, charge, pledge, lien (unless arising by operation of law) or other security interest (other than one imposed by operation of law) including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital);
- (b) carry on any business other than as described herein relating to the issue of the Notes and in respect of that business shall not engage in any activity or do anything whatsoever except:
  - (i) preserve and/or exercise and/or enforce any of its rights and perform and observe its obligations under the Finance Documents;
  - (ii) use, invest or dispose of any of its property or assets in the manner provided in or contemplated by the Finance Documents; and
  - (iii) perform any act incidental to or necessary in connection with (i) or (ii) above;
- (c) have or form, or cause to be formed, any subsidiaries or subsidiary undertakings or undertakings of any other nature or have any employees or premises or have an interest in a bank account other than the Issuer

Transaction Account or the bank account into which amounts paid on subscription of the share capital of the Issuer were paid unless such account or interest therein is charged to the Note Trustee on terms acceptable to it;

- (d) create, incur or suffer to exist any Financial Indebtedness (other than indebtedness permitted to be incurred under the terms of its Memorandum and Articles of Association and pursuant to or as contemplated in any of the Finance Documents) or give any guarantee or indemnity in respect of any obligation of any person;
- (e) repurchase any shares of its capital stock or declare or pay any dividend or other distribution to its shareholders;
- (f) consolidate with or merge with or into any person or liquidate or dissolve on a voluntary basis;
- (g) apply to become part of any group of companies for the purposes of value added tax;
- (h) waive, modify or amend, or consent to any waiver, modification or amendment of, any of the provisions of the Finance Documents; or
- (i) offer to surrender to any company any amounts which are available for surrender by way of group relief other than for full value.

#### 4. Interest

The Class A Notes and the Class B Notes bear interest on their Principal Amount Outstanding from, and including, the Closing Date at the relevant Rate of Interest. Interest on the Notes is payable in arrears on each Interest Payment Date, subject as provided in Condition 6 (*Payments*). In these Conditions, “**Interest Period**” means the period from (and including) an Interest Payment Date (or, in respect of the first interest period, the Closing Date) to (but excluding) the next succeeding Interest Payment Date.

The amount of interest payable in respect of each Note for any Interest Period shall be calculated by applying the relevant Rate of Interest to the Principal Amount Outstanding of such Note, dividing the product by two and rounding the resulting figure to the nearest penny (half a penny being rounded upwards). In these Conditions, if interest is required to be calculated for any other period, it will be calculated on the basis of the actual number of days in the period divided by 365 or, if any portion of the period falls in a leap year, the sum of (A) the actual number of days in that portion of the period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the period falling in a non-leap year divided by 365).

## 5. Redemption and Purchase

- (a) *Scheduled Redemption of Class A Notes by Instalments*: Unless previously redeemed or purchased and cancelled in full as provided in this Condition, the Issuer shall redeem the Class A Notes in part *pari passu* and *pro rata* in fifty-four instalments on each Interest Payment Date commencing on and from 1 June 2008 and in the amounts set out below:

Interest Payment Date	Instalment for Class A Notes (£)	Class A Resulting Principal Balance (£)
1 June 2008	40,000.00	99,960,000.00
1 December 2008	80,000.00	99,880,000.00
1 June 2009	120,000.00	99,760,000.00
1 December 2009	160,000.00	99,600,000.00
1 June 2010	210,000.00	99,390,000.00
1 December 2010	240,000.00	99,150,000.00
1 June 2011	280,000.00	98,870,000.00
1 December 2011	320,000.00	98,550,000.00
1 June 2012	370,000.00	98,180,000.00
1 December 2012	400,000.00	97,780,000.00
1 June 2013	450,000.00	97,330,000.00
1 December 2013	480,000.00	96,850,000.00
1 June 2014	530,000.00	96,320,000.00
1 December 2014	560,000.00	95,760,000.00
1 June 2015	610,000.00	95,150,000.00
1 December 2015	640,000.00	94,510,000.00
1 June 2016	690,000.00	93,820,000.00
1 December 2016	730,000.00	93,090,000.00
1 June 2017	770,000.00	92,320,000.00
1 December 2017	800,000.00	91,520,000.00
1 June 2018	850,000.00	90,670,000.00
1 December 2018	890,000.00	89,780,000.00
1 June 2019	930,000.00	88,850,000.00
1 December 2019	970,000.00	87,880,000.00
1 June 2020	1,010,000.00	86,870,000.00
1 December 2020	1,050,000.00	85,820,000.00
1 June 2021	1,090,000.00	84,730,000.00
1 December 2021	1,130,000.00	83,600,000.00
1 June 2022	1,180,000.00	82,420,000.00
1 December 2022	1,210,000.00	81,210,000.00
1 June 2023	1,250,000.00	79,960,000.00
1 December 2023	1,290,000.00	78,670,000.00
1 June 2024	1,340,000.00	77,330,000.00
1 December 2024	1,370,000.00	75,960,000.00
1 June 2025	1,410,000.00	74,550,000.00
1 December 2025	1,460,000.00	73,090,000.00
1 June 2026	1,490,000.00	71,600,000.00
1 December 2026	1,540,000.00	70,060,000.00
1 June 2027	1,580,000.00	68,480,000.00
1 December 2027	1,610,000.00	66,870,000.00



Interest Payment Date	Instalment for Class A Notes (£)	Class A Resulting Principal Balance (£)
1 June 2028	1,660,000.00	65,210,000.00
1 December 2028	1,690,000.00	63,520,000.00
1 June 2029	1,740,000.00	61,780,000.00
1 December 2029	1,780,000.00	60,000,000.00
1 June 2030	1,820,000.00	58,180,000.00
1 December 2030	1,860,000.00	56,320,000.00
1 June 2031	1,900,000.00	54,420,000.00
1 December 2031	1,940,000.00	52,480,000.00
1 June 2032	1,970,000.00	50,510,000.00
1 December 2032	2,030,000.00	48,480,000.00
1 June 2033	2,060,000.00	46,420,000.00
1 December 2033	2,100,000.00	44,320,000.00
1 June 2034	2,140,000.00	42,180,000.00
1 December 2034	2,180,000.00	40,000,000.00 <sup>1</sup>

provided that following any redemption in part of the Class A Notes in accordance with Condition 5(d) or 5(e), the Issuer shall promptly procure that all subsequent principal payments due to be made under the Class A Notes are adjusted by applying such redemption *pro rata* and shall promptly give notice of such amended payments to the Note Trustee, the Principal Paying Agent and the Class A Noteholders in accordance with Condition 15.

- (b) *Final Redemption of Class A Notes after the Scheduled Redemption Date:* Without prejudice to the mandatory redemption by instalments required by the foregoing provisions of Condition 5(a), if the Class A Notes have not been purchased or redeemed and cancelled in full on or before the Scheduled Redemption Date in accordance with this Condition 5, (i) the Principal Amount Outstanding thereof may be repaid in whole or in part on any Interest Payment Date from the Scheduled Redemption Date, and (ii) the Class A Notes shall, in any event, be redeemed at their Principal Amount Outstanding (together with accrued interest thereon) on or before the Final Redemption Date.
- (c) *Scheduled Redemption of Class B Notes:* If the Class B Notes have not been purchased or redeemed and cancelled in full on or before the Scheduled Redemption Date in accordance with this Condition 5, (i) the Principal Amount Outstanding thereof may be repaid in whole or in part *pari passu* and *pro rata* on any Interest Payment Date from the Scheduled Redemption Date, and (ii) the Class B Notes shall, in any event, be redeemed at their Principal Amount Outstanding (together with accrued interest thereon) on or before the Final Redemption Date.
- (d) *Redemption at the option of the Issuer:* The Notes may be redeemed at the option of the Issuer in whole or in part on any Interest Payment Date, on the Issuer giving not less than 25 and not more than 60 days' notice (the "**Redemption Notice**") to the Noteholders (which notice shall be irrevocable) specifying (i) a date for redemption and (ii) an estimate of the applicable Make-Whole Amount to be paid in respect of each Note on the basis that the Notes were to be redeemed on or about the date of the Redemption Notice, provided that, prior to giving any such notice, the Issuer shall have provided to the Note Trustee a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interest of any other person, required to redeem the Notes as aforesaid and any amounts required under the Deed of Charge to be paid on such Interest Payment Date in priority to or *pari passu* with the Notes to be redeemed. In the

<sup>1</sup> This £40,000,000 is to be redeemed on or before the Final Redemption Date in accordance with Condition 5(b)

case of prepayment of the Notes pursuant to this Condition 5(d), the Issuer shall, in respect of each Note to be repaid, pay the Noteholder a sum equal to the aggregate of:

- (i) the Principal Amount Outstanding thereof together with interest on such Principal Amount Outstanding accrued to the date fixed for redemption; and
- (ii) the applicable Make-Whole Amount, if any.

The Issuer shall, on exercise of its option to redeem pursuant to this Condition 5(d), redeem the Notes in the following order:

- (i) Class A Notes; and
- (ii) Class B Notes.

Any Notes which are to be redeemed in part only on any date in accordance with this Condition 5(d) shall be redeemed *pro rata* as between the Class A Notes and *pro rata* as between the Class B Notes, provided that the Notes may not be redeemed in part unless the aggregate amount to be redeemed is at least £5,000,000.

- (e) *Mandatory redemption of the Notes:* If on any Loan Payment Date, the Issuer receives any principal amount by way of early repayment of the Peverel/Issuer Loan, the Issuer shall on the next following Interest Payment Date redeem the Notes (in part) by applying such amount in redeeming only the Class A Notes (*pro rata* among all Class A Notes) until all of the Class A Notes have been redeemed in full and thereafter in redeeming only the Class B Notes (*pro rata* among all Class B Notes).

In the case of prepayment of the Notes pursuant to this Condition 5(e), the Issuer shall, in respect of each Note to be repaid in part, pay the Noteholder a sum equal to the aggregate of:

- (i) the principal amount thereof to be redeemed, together with interest on such principal amount accrued to the date fixed for repayment; and
- (ii) the applicable Make-Whole Amount, if any.

- (f) *Certification of available funds:* On or prior to giving any Redemption Notice, the Issuer shall have provided the Note Trustee with a certificate signed by two directors of the Issuer to the effect that it will have the funds, not subject to the interests of any other person, required to fulfil its obligations hereunder.
- (g) *No other redemption:* The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) to (e) above.
- (h) *Purchase by the Issuer:* The Issuer may at any time purchase Notes in the open market or otherwise and at any price, provided that all unmatured Coupons and unexchanged Talons relating thereto are purchased therewith. Any purchase by tender shall be made available to all Noteholders alike.
- (i) *Cancellation:* All Notes so redeemed or purchased by the Issuer and any unmatured Coupons or unexchanged Talons attached to or surrendered with them shall be cancelled and may not be reissued or resold.
- (j) *Post Enforcement Call Option:* All of the Noteholders will, at the request of Peverel Optionholder Limited (the "**Optionholder**"), sell all (but not some only) of their holdings of Notes to the Optionholder, a special purpose company, pursuant to the option (the "**Option**"), granted to it by the Note Trustee (as agent for the Noteholders) pursuant to a post enforcement call option (the "**Post Enforcement Call Option**") dated the Closing Date between the Issuer, the Optionholder and the Note Trustee, to acquire all (but not some only) of the Notes (plus accrued interest thereon), for the consideration of one penny per Note outstanding. The

Option will become exercisable on the date on which the Note Trustee determines that, following the service of an Enforcement Notice, enforcement of the Note Security and payment in full of all amounts available to pay amounts outstanding under the Notes in accordance with the Deed of Charge, the proceeds of such enforcement are insufficient after payment of all other claims ranking in priority to the Notes, to pay in full any amount due or overdue in respect of the Notes.

Furthermore, each of the Noteholders, by subscribing for or purchasing any Class A Notes and/or Class B Notes, grants to the Note Trustee, and acknowledges that the Note Trustee has, the authority and power to bind each such Noteholder in accordance with the terms and conditions set out in the Post Enforcement Call Option and each Noteholder, by acquiring the relevant Note(s) irrevocably so authorises the Note Trustee to act as its agent in this respect and to the extent necessary ratifies the Note Trustee's entry into the Post Enforcement Call Option, and agrees to be so bound by the terms of the Post Enforcement Call Option accordingly.

Upon exercise of the Post Enforcement Call Option, the Noteholders shall surrender the relevant Notes to the Note Trustee, who will in turn arrange for the delivery of such Notes to the registered office of the Optionholder.

- (k) *Notice of redemption and purchase:* Upon any early redemption or purchase of the Notes pursuant to this Condition, the Issuer shall cause notice of such redemption or purchase to be given to the Note Trustee, the Principal Paying Agent, Euroclear, Clearstream, Luxembourg and, the Noteholders in accordance with Condition 15 and (for so long as the Notes are listed on the Luxembourg Stock Exchange) to the Luxembourg Stock Exchange directly and in accordance with Condition 15, together with details of the Principal Amount Outstanding of each class of Notes so redeemed or purchased.

## 6. Payments

- (a) *Principal:* Payments of principal shall be made only against presentation of a Note and, provided that payment in respect thereof is made in full, surrender of such Note or against presentation of a principal Coupon and, provided that payment in respect thereof is made in full, surrender of such principal Coupon, in each case at the Specified Office of any Paying Agent outside the United States by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with, a bank in London.
- (b) *Interest:* Payments of interest shall, subject to paragraph (g) below, be made only against presentation and (provided that payment is made in full) surrender of the appropriate interest Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in paragraph (a) above.
- (c) *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 7 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.
- (d) *Deduction for unmatured Coupons:* If a Note is presented without all unmatured Coupons relating thereto, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment, provided, however, that, if the gross amount available for payment is less than the Principal Amount Outstanding of such Note, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the Principal Amount Outstanding of such Note. Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (provided that payment is made in full) surrender of the relevant missing Coupons.
- (e) *Payments on business days:* If the due date for payment of any amount in respect of any Note or Coupon is not a business day in the place of presentation, the holder shall not be entitled to payment in such place

of the amount due until the next succeeding business day in such place and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "business day" means, in respect of any place of presentation, any day (other than a Saturday or Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in such place of presentation and, in the case of payment by transfer to a sterling account as referred to above, on which dealings in foreign currencies may be carried on both in London and in such place of presentation.

- (f) *Payments other than in respect of matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Notes at the Specified Office of any Paying Agent outside the United States.
- (g) *Partial payments:* If a Paying Agent makes a partial payment in respect of any Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- (h) *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a coupon sheet relating to the Notes (each, a "Coupon Sheet"), the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of any Paying Agent for a further Coupon Sheet (including a further Talon (if appropriate) but excluding any Coupons in respect of which claims have already become void pursuant to Condition 9 (*Prescription*)). Upon the due date for redemption of any Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.
- (i) *Default Interest:* If any sum which is due and payable by the Issuer hereunder is not paid on the due date therefor or if any sum due and payable by the Issuer under any judgment of any court in connection herewith is not paid on the date of such judgment, such sum (the balance thereof for the time being unpaid being herein referred to as an "unpaid sum") shall bear interest beginning on such due date or, as the case may be, the date of such judgment and ending on the date upon which the obligation of the Issuer to pay is discharged over successive periods of one month. During each such period, an unpaid sum shall bear interest at the rate of 1 per cent. above the relevant Rate of Interest.

Interest under this Condition 6(i) shall accrue from day to day. Any interest which shall have accrued under this Condition 6(i) in respect of an unpaid sum shall be due and payable and shall be paid by the Issuer to the Note Trustee at the end of the period by reference to which it is calculated or on such other date or dates as the Note Trustee may specify by written notice to the Issuer.

The Issuer shall cause notice of the availability for payment of an unpaid sum and interest thereon (including the date for payment) to be given to the Note Trustee, the Principal Paying Agent, Euroclear, Clearstream, Luxembourg and the Noteholders in accordance with Condition 15 and (for so long as the Notes are listed on the Luxembourg Stock Exchange) to the Luxembourg Stock Exchange directly.

## 7. Taxation

All payments in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by the United Kingdom, the Cayman Islands or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer 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 OTHER PERSON WILL BE OBLIGED TO MAKE ANY ADDITIONAL PAYMENTS TO HOLDERS OF NOTES OR COUPONS IN RESPECT OF SUCH WITHHOLDING OR DEDUCTION.

## 8. Events of Default

If any of the following events occurs and is continuing, then the Note Trustee at its discretion may and, if so requested in writing by one or more persons holding or representing at least one quarter of the aggregate Principal Amount Outstanding of the Notes or if so directed by an Extraordinary Resolution of the Class A Noteholders or, if no Class A Notes are outstanding, the Class B Noteholders, shall subject (in the case of the happening of any of the events mentioned in paragraphs (b) to (j) inclusive below) to the Note Trustee having certified in writing that the happening of such event is in its opinion materially prejudicial to the interests of the Noteholders and, in all cases, to the Note Trustee having been indemnified or provided with security to its satisfaction, give written notice (an "Enforcement Notice") to the Issuer declaring the Notes to be immediately due and payable, whereupon they shall become immediately due and payable at their Principal Amount Outstanding together with accrued interest and the applicable Make-Whole Amount (if any), without further action or formality:

- (a) *Non-payment*: the Issuer fails to pay any amount of principal, interest or other amount in respect of the Notes within seven days after the due date for payment; or
- (b) *Breach of other obligations*: the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Trust Deed and such default (i) is, in the opinion of the Note Trustee, incapable of remedy or (ii) being a default which is, in the opinion of the Note Trustee, capable of remedy, remains unremedied for 10 days or such longer period as the Note Trustee may agree after the Note Trustee has given written notice thereof to the Issuer; or
- (c) *Unsatisfied judgment*: one or more judgment(s) or order(s) for the payment of any amount is rendered against the Issuer and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (d) *Security enforced*: a secured party (not including a secured party acting in breach of the terms of the Finance Documents) takes possession, or a receiver, manager or other similar officer is appointed, of the whole or any substantial part of the undertaking, assets and revenues of the Issuer; or
- (e) *Insolvency etc.*: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due within the meaning of section 123(1) and section 123(2) of the Insolvency Act 1986, as amended or replaced from time to time, (ii) an administrator or liquidator of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made), and such process shall not be discharged or shall otherwise cease to apply within 15 days (iii) the Issuer takes any action for a readjustment or deferment of any of its obligations (other than as contemplated in the Finance Documents) or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or (iv) the Issuer ceases or threatens to cease to carry on all or any substantial part of its business; or
- (f) *Winding up etc.*: an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer; or
- (g) *Analogous event*: any event occurs which under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraphs (d) to (f) above; or
- (h) *Failure to take action etc.*: any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its respective rights and perform and comply with its respective obligations under and in respect of the Notes or the Trust Deed, the Deed of Charge or any of the other Finance Documents, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes, the Coupons and the Trust Deed, the Deed of Charge or any of the

other Finance Documents admissible in evidence in the courts of England and Wales is not taken, fulfilled or done; or

- (i) *Unlawfulness*: it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Notes or the Trust Deed, the Deed of Charge or any of the other Finance Documents; or
- (j) *Peveler/Issuer Loan Event of Default*: the occurrence of any event which constitutes an event of default under clause 17.7 (*Insolvency*), 17.8 (*Insolvency proceedings*) or 17.2 (*Non-payment*) of the Peveler/Issuer Loan Agreement.

## **9. Prescription**

Claims for principal on any Notes shall become void unless the relevant Notes or Coupons are presented for payment within ten years of the relevant date in respect thereof. Claims for interest on any Notes shall become void unless the relevant Coupons are presented for payment within five years of the relevant date in respect thereof.

## **10. Replacement of Notes, Coupons and Talons**

If any Note or Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes or Coupons or Talons must be surrendered before replacements will be issued.

## **11. Note Trustee and Paying Agents**

Under the Trust Deed, the Note Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Note Trustee is entitled to enter into business transactions with the Issuer and any entity relating to the Issuer without accounting for any profit.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Note Trustee will have regard to the interests of the Noteholders as regards all powers, trusts, authorities, duties and discretions (except where expressly provided otherwise in these Conditions) but, in any such case, will have regard only to the interests of the Class A Noteholders if, in the Trustee's opinion, there is a conflict between the interests of the Class A Noteholders and the interests of the Class B Noteholders.

In the exercise of its powers and discretions under these Conditions and the Trust Deed, the Note Trustee will have regard to the interests of the Noteholders as a class and will not be responsible for any consequence for individual holders of Notes or Coupons as a result of such holders being connected in any way with a particular territory or taxing jurisdiction.

In acting under the Paying Agency Agreement and in connection with the Notes and the Coupons, the Paying Agents act solely as agents of the Issuer and (to the extent provided therein) the Note Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders.

The Issuer reserves the right (with the prior written approval of the Note Trustee) at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor principal paying agent and additional or successor paying agents, provided, however, that the Issuer shall at all times maintain (a) a paying agent in London and (b) so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such

exchange so require, a Paying Agent in Luxembourg. Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

## 12. Meetings of Noteholders; Modification and Waiver

- (a) *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed, the Deed of Charge or any of the other Finance Documents. Any such modification may be made if sanctioned by a resolution passed by not less than two thirds of the votes cast (such a resolution called an "Extraordinary Resolution"). Such a meeting may be convened by the Note Trustee, the Issuer or by the Note Trustee upon the request in writing of Noteholders holding not less than one-tenth of the aggregate Principal Amount Outstanding of the Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing in the aggregate a clear majority of the Principal Amount Outstanding of the Notes or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the Outstanding Principal Amount of the Notes held or represented, provided, however, that certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payments under the Notes (save as provided herein) or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution (each, a "Reserved Matter")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the Principal Amount Outstanding of the Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders under the Trust Deed will take effect as it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- (b) *Modification and waiver:* The Note Trustee may, without the consent of the Noteholders or Couponholders agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) or any of the other Finance Documents which is, in the opinion of the Note Trustee, proper to make if, in the opinion of the Note Trustee, such modification will not be materially prejudicial to the interests of Noteholders and to any modification of the Notes or the Trust Deed or any of the other Finance Documents which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Note Trustee may, without the consent of the Noteholders or Couponholders authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Note Trustee, the interests of the Noteholders will not be materially prejudiced thereby.

Unless the Note Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Noteholders as soon as practicable thereafter.

- (c) *Substitution:* The Trust Deed contains provisions under which another company may, without the consent of the Noteholders or Couponholders, assume the obligations of the Issuer as principal debtor under the Trust Deed and the Notes provided that certain conditions specified in the Trust Deed are fulfilled.

No Noteholder or Couponholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Noteholder or (as the case

may be) Couponholder except to the extent provided for in Condition 7 (Taxation) (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

### 13. Enforcement

The Note Trustee may at any time, at its discretion and without notice, institute such proceedings as it thinks fit to enforce its rights under the Trust Deed and the Deed of Charge in respect of the Notes, but it shall not be bound to do so unless:

- (a) it has been so requested in writing by the holders of at least one quarter of the Principal Amount Outstanding of the Notes or has been so directed by an Extraordinary Resolution of the Class A Noteholders or, if no Class A Notes are outstanding, the Class B Noteholders; and
- (b) it has been indemnified or provided with security to its satisfaction.

No Noteholder may proceed directly against the Issuer unless the Note Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

### 14. Further Issues

The Issuer will be entitled (but not obliged) subject to fulfilment of certain conditions set out in the Trust Deed at its option on any Interest Payment Date, without the consent of the Noteholders or Couponholders, to create and issue Further Notes, provided that, *inter alia*:

- (i) any Further Class A Notes or Further Class B Notes to be issued on such date are assigned the same ratings as are then applicable to such class of Notes;
- (ii) the ratings of the Notes then outstanding are not adversely affected by such issue;
- (iii) an amount equal to the aggregate principal amount of the Further Notes to be issued on such date is applied by the Issuer to make a further advance under the Peverel/Issuer Loan Agreement; and
- (iv) a new liquidity facility agreement has been entered into or the existing Liquidity Facility Agreement has been amended accordingly.

### 15. Notices

Any notice to the Noteholders shall be validly given if published in a newspaper of general circulation in Luxembourg so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such exchange so require or if such publication therein shall not be practicable, in a leading English language newspaper having general circulation in Europe (which is expected to be the Financial Times). Any such notice shall be deemed to have been given on the date of first publication. Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the Noteholders.

### 16. European Economic and Monetary Union

- (a) *Notice of redenomination:* The Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Noteholders, the Note Trustee and the Paying Agents, designate a date (the "Redenomination Date"), being an Interest Payment Date falling on or after the date on which the United Kingdom becomes a Participating Member State.
- (b) *Redenomination:* Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:



- (i) the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in sterling, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations), provided, however, that, if the Issuer determines, with the agreement of the Note Trustee, that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and the Note Trustee and the Principal Paying Agent of such deemed amendments;
  - (ii) new Notes denominated in euro will be issued in exchange for Notes denominated in such manner as the Principal Paying Agent may specify and notify to Noteholders;
  - (iii) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the sterling ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Participating Member State; and
  - (iv) where payment under the Notes is to be made by transfer to an account, payment instructions will only be initiated and, where such payment is to be made by cheque, the cheque will only be mailed on a day which is a business day. In this Condition 16 (*European Economic and Monetary Union*), "business day" means any day on which the TARGET system is operating and, in the case of surrender (or, in the case of part payment only, endorsement) of a Note, any day on which banks are open for business (including dealings in foreign currencies) in the place in which the Note is surrendered (or, as the case may be, endorsed).
- (c) *Indemnity:* The Issuer agrees for the benefit of the Noteholders to bear all costs in connection with redenomination in accordance with this Condition 16 including, without limitation, any margin or commission applied to, or payable in respect of, such redenomination.
- (d) *Interest:* Following redenomination of the Notes pursuant to this Condition 16 (*European Economic and Monetary Union*):
- (i) the amount of interest due in respect of the Notes will be calculated by reference to the aggregate principal amount of the Notes in respect of which any person is the Noteholder and the amount of such payment shall be rounded down to the nearest euro 0.01; and
  - (ii) any interest required to be calculated for a period of less than one year in respect of the Notes shall be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (a) the number of those days falling in a leap year divided by 366 and (b) the number of those days falling in a non-leap year divided by 365), provided, however, that, if the Issuer determines, with the agreement of the Note Trustee, that the market practice in respect of internationally offered euro denominated securities is different from that specified above, the above shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the Note Trustee, each stock exchange (if any) on which the Notes are then listed and the Principal Paying Agent of such deemed amendment.

## 17. Non-petition

No Noteholder may institute against the Issuer, or join any other person in instituting against the Issuer, any reorganisation, liquidation, bankruptcy, insolvency or similar proceedings for so long as any Notes are outstanding or until one year plus one day has elapsed since the last day on which the Notes were outstanding.

## 18. Governing Law and Jurisdiction

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

The Issuer irrevocably agrees for the benefit of the Note Trustee and the Noteholders that the courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes which may arise out of or in connection with the Notes (respectively, "Proceedings" and "Disputes") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

The Issuer irrevocably waives any objection which it might now or hereafter have to the courts of England hearing and determining any Proceedings and settling any Disputes and agrees not to claim that any such court is not a convenient or appropriate forum.

The Issuer irrevocably agrees that the process by which any Proceedings in England are begun may be served on it by being delivered to Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR or any other address at which process may from time to time be served on it in accordance with Part XXIII of the Companies Act 1985 (as modified or re-enacted from time to time). If the appointment of the person mentioned in this Condition ceases to be effective, the Issuer shall, on the written demand of the Note Trustee, forthwith appoint a further person in England to accept service of process on its behalf in England, with notice to the Note Trustee and, failing such appointment within 15 days, the Note Trustee shall be entitled to appoint such a person by written notice to the Issuer.

Nothing contained herein shall affect the right to serve process in any other manner permitted by law.

## 19. Definitions and Interpretation

In these Conditions:

"Account Bank" means Barclays Bank PLC or such other bank appointed as such in accordance with clause 7 of the Bank Agreement;

"Bank Agreement" means the bank agreement dated the Closing Date between, *inter alios*, the Account Bank, the Borrower and the Issuer;

"Borrower" means Peverel Properties Limited;

"Borrower Debenture" means the debenture dated the Closing Date between, *inter alios*, the Issuer, the Security Trustee and the Borrower;

"Borrower Secured Creditors" means the Issuer, Peverel Limited, Peverel Holdings Limited, the Cash Manager and the Security Trustee and any receiver appointed under the Borrower Debenture;

"Borrower Secured Obligations" means all present and future obligations and liabilities (whether actual or contingent, or any capacity whatsoever and whether originally incurred by the Borrower or by some other person) of the Borrower to the Borrower Secured Creditors under the Finance Documents (other than the obligations of the Borrowers to Peverel Holdings Limited under the Option Income Shortfall Loan);

**“Borrower Subordinated Loan Agreement”** means the subordinated loan agreement dated the Closing Date between the Borrower, the Subordinated Loan Provider and the Security Trustee;

**“Borrower Voluntary Loan Agreement”** means the agreement dated the Closing Date between the Borrower, Peverel Holdings Limited and Peverel Limited under which the terms of interest-free subordinated loans to the Borrower by Peverel Holdings Limited or Peverel Limited are described;

**“Business Day”** means a day (other than a Saturday or a Sunday) on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London;

**“Cash Management Agreement”** means the cash management agreement dated the Closing Date between, *inter alios*, the Cash Manager and the Issuer;

**“Cash Manager”** means Peverel Management Services Limited;

**“Charging Companies”** means Meridian Land & Investments Limited, Retirement Care (Southern) Investments Limited, Peverel Investments, Lincourt Management Services Limited, Balfour Freeholds Limited, Peverel Property Investments Limited, O.M. Limited, Peverel Freehold Reversions Limited and Peverel Securitisation Limited;

**“Clearstream, Luxembourg”** means Clearstream Banking, *société anonyme*, Luxembourg (previously Cedelbank) or any successor thereto;

**“Closing Date”** means on or around 31 March 2000;

**“Corporate Services Agreement”** means the agreement dated the Closing Date under which the Corporate Services Provider has agreed to provide corporate services to the Issuer;

**“Corporate Services Provider”** means Maples and Calder;

**“Dealing Day”** means a day on which dealings in gilt-edged stocks are customarily carried on in London;

**“Deed of Charge”** means the deed of sub-charge and assignment dated the Closing Date between the Issuer, the Charging Companies, the Note Trustee, the Liquidity Facility Provider, Peverel Limited and the Paying Agents;

**“Discounted Value”** means, with respect to the Redeemed Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments applicable to such Redeemed Principal from their scheduled due dates to the Settlement Date with respect to such Redeemed Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Notes is payable) equal to the Reinvestment Yield with respect to such Redeemed Principal;

**“EMU”** means European Economic and Monetary Union;

**“Estate Account”** means a bank account in the name of a Managing Agent into which Ground Rents and Transfer Fees are paid;

**“euro”** means the single currency introduced at the start of the third stage of EMU pursuant to the Treaty;

**“Euroclear”** means Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system or any successor thereto;

**“Final Redemption Date”** means 1 December 2036;

**“Finance Documents”** means:

(a) these Terms and Conditions;

- (b) the Master Definitions Schedule;
- (c) the Trust Deed;
- (d) the Deed of Charge;
- (e) the Peverel/Issuer Loan Agreement;
- (f) the Borrower Debenture;
- (g) the Property Management Agreement;
- (h) the Cash Management Agreement;
- (i) the Subscription Agreement;
- (j) the Paying Agency Agreement;
- (k) the Bank Agreement;
- (l) the Borrower Subordinated Loan Agreement;
- (m) the Borrower Voluntary Loan Agreements;
- (n) the Option Income Shortfall Loan Agreement;
- (o) the Liquidity Facility Agreement;
- (p) the Post Enforcement Call Option;
- (q) the Tax Deed of Covenant;
- (r) the Inter-Company Loans;
- (s) the Corporate Services Agreement;
- (t) the Priorities Agreement;
- (u) the Security Over PL Shares Deed;
- (v) the Security Over PSL Shares Deed;
- (w) any other document from time to time creating, evidencing or entered into as security for, or supporting, any of the Borrower Secured Obligations;
- (x) any document entered into pursuant to, or which amends or varies, any document referred to in paragraphs (a) to (v) above; and
- (y) any document designated as such in writing by both the Issuer and the Borrower (as agent for the Obligors);

**“Financial Indebtedness”** means any indebtedness for or in respect of:

- (a) any amount raised by acceptance under any acceptance credit facility;
- (b) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (c) any amount raised pursuant to any issue of shares which are expressed to be redeemable;

- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with accepted accounting principles in the relevant jurisdiction, be treated as a finance or capital lease;
- (e) the amount of any liability in respect of any advance or deferred purchase agreement if one of the primary reasons for entering into such agreement is to raise finance;
- (f) receivables sold or discounted (other than on a non-recourse basis);
- (g) any agreement or option to re-acquire an asset if one of the primary reasons for entering into such agreement or option is to raise finance;
- (h) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (i) any documentary credit facility;
- (j) any interest rate swap, currency swap, forward foreign exchange transaction, cap, floor, collar or option transaction or any other treasury transaction or any combination of the same or any other transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and the amount of the Financial Indebtedness in relation to any such transaction will be calculated by reference to the mark-to-market valuation of such transaction at the relevant time); and
- (k) the amount of any liability in respect of any guarantee, indemnity, bond, standby letter of credit or any other instrument issued for any of the items referred to in paragraphs (a) to (j) above or in connection with the performance of any contract or other obligation;

**“Further Acquisitions Account”** means the account in the name of the Borrower to be known as the “Further Acquisitions Account” to be established with the Account Bank in accordance with clause 2 of the Bank Agreement;

**“Further Class A Notes”** means further Class A Notes which will be in bearer form and will carry the same terms and conditions in all respects, *mutatis mutandis*, as, and so that the same shall be consolidated and form a single series and rank *pari passu* with the Class A Notes;

**“Further Class B Notes”** means further Class B Notes which will be in bearer form and will carry the same terms and conditions in all respects, *mutatis mutandis*, as, and so that the same shall be consolidated and form a single series and rank *pari passu* with the Class B Notes;

**“Further Notes”** means the Further Class A Notes and the Further Class B Notes;

**“Inter-Company Loans”** means the loans made on the Closing Date by the Borrower to the Property Charging Companies to enable them to repay their existing indebtedness to the relevant members of the Peverel Group and certain third party indebtedness;

**“Interest Payment Date”** means 1 June and 1 December in each year;

**“Issuer Monetary Claims”** means any book and other debts and monetary claims owing to the Issuer and any proceeds thereof (including the proceeds of any court order or judgment, any contract or agreement to which the Issuer is a party and any other assets, property, rights or undertaking of the Issuer, excluding any rights of the Issuer in respect of the bank account into which amounts paid on subscription of the share capital of the Issuer were paid);

**“Issuer Secured Obligations”** means all monies, debts and liabilities which may at any time be or become due, owing or incurred, actually or contingently, by the Issuer to:

- (i) the Note Trustee, in its capacity as trustee in relation to the Notes and in respect of any liabilities incurred by the Note Trustee in relation thereto;
- (ii) the Noteholders in respect of principal, interest, Make-Whole Amounts or other amounts payable in respect of the Notes; and
- (iii) the other Secured Creditors, under or in connection with the Finance Documents;

**“Issuer Transaction Account”** means the interest bearing current account of the Issuer to be known as the “Issuer Transaction Account” to be established with the Account Bank in accordance with clause 2 of the Bank Agreement;

**“Liquidity Facility Agreement”** means a liquidity facility agreement made on the Closing Date between the Issuer, the Note Trustee and the Liquidity Facility Provider;

**“Liquidity Facility Provider”** means Lloyds TSB Bank plc;

**“Loan Payment Date”** means each Business Day preceding an Interest Payment Date;

**“Make-Whole Amount”** means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value with respect to the Redeemed Principal of such Note over the amount of such Redeemed Principal, provided that the Make-Whole Amount may in no event be less than zero;

**“Managing Agents”** means O.M. Management Services Limited and Peverel Management Services Limited;

**“Master Definitions Schedule”** means the master definitions and interpretation schedule dated the Closing Date;

**“Obligors”** means the Borrower and each of the Charging Companies;

**“Option Income Shortfall Loan Agreement”** means the loan agreement dated the Closing Date between the Borrower and Peverel Holdings Limited;

**“outstanding”** means, in relation to the Notes, all the Notes other than:

- (i) those which have been redeemed in full in accordance with the Trust Deed;
- (ii) those in respect of which the date for redemption in accordance with the provisions of the Conditions has occurred and for which the redemption monies (including all interest accrued thereon to such date for redemption) have been duly paid to the Note Trustee or the Principal Paying Agent in the manner provided for in the Paying Agency Agreement (and, where appropriate, notice to that effect has been given to the Noteholders in accordance with Condition 6 (*Payments*)) and remain available for payment in accordance with the Conditions;
- (iii) those which have been purchased or surrendered for cancellation as provided in Condition 5 (*Redemption and Purchase*) and notice of the cancellation of which has been given to the Note Trustee;
- (iv) those which have become void under Condition 9 (*Prescription*);
- (v) those mutilated or defaced Notes which have been surrendered or cancelled and in respect of which replacement Notes have been issued pursuant to Condition 10 (*Replacement of Notes, Coupons and Talons*);
- (vi) any Temporary Global Note, to the extent that it shall have been exchanged for a Permanent Global Note of the same class or any Permanent Global Note, to the extent that it shall have been exchanged for Definitive Notes of the relevant class pursuant to the provisions contained therein and the Conditions; and

(vii) (for the purpose only of ascertaining the Principal Amount Outstanding of the Notes then outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to the Conditions,

provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of Noteholders;
- (b) the determination of how many and which Notes are for the time being outstanding for the purposes of Condition 8 (*Events of Default*) or 13 (*Enforcement*); and
- (c) any discretion, power or authority, whether contained in the Trust Deed or provided by law, which the Note Trustee is required to exercise in or by reference to the interests of the Noteholders or any of them,

those Notes (if any) which are for the time being held by any person (including but not limited to the Issuer or any member of the Peverel Group, for the benefit of the Issuer) shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

**“Participating Member State”** means a member state of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

**“person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**“Peverel Group”** means Peverel Limited and its direct and indirect subsidiaries;

**“Peverel/Issuer Loan”** means the loan granted pursuant to the Peverel/Issuer Loan Agreement;

**“Peverel/Issuer Loan Agreement”** means the loan agreement made on the Closing Date between the Borrower, the Charging Companies, the Issuer, the Security Trustee and the Note Trustee;

**“Peverel Option”** means any option (which is specified in the Peverel/Issuer Loan Agreement) to acquire the freehold or long leasehold reversionary interest in a property;

**“PMS Client Account”** means the account in the name of Peverel Management Services Limited known as the “PMS Client Account”;

**“Principal Amount Outstanding”** of any Note at any time means the outstanding principal amount of such Note at the Closing Date less the aggregate of all principal payments in respect of such Note that have been paid;

**“Priorities Agreement”** means the priorities agreement dated the Closing Date between Peverel Limited and the Borrower;

**“Property”** means any property in which a Charging Company has a Reversionary Interest from time to time;

**“Property Management Agreement”** means the property management agreement dated the Closing Date between, *inter alios*, the Managing Agents and each Property Charging Company;

**“Rate of Interest”** means, in respect of the Class A Notes, 6.06 per cent. per annum and, in respect of the Class B Notes, 7.35 per cent. per annum;

**“Redeemed Principal”** means, with respect to any Note, the principal amount of such Note that is to be redeemed at the relevant time pursuant to these Conditions;

**“Reference Date”** means the third Dealing Day before the date on which the relevant notice of redemption is given to Noteholders;

**“Reinvestment Yield”** means, with respect to the Redeemed Principal of any Note, (i) the gross redemption yield as published in the Financial Times on the second Business Day preceding the Settlement Date for actively traded United Kingdom Treasury Securities (the **“Reference Stock”**) having a maturity equal to the Remaining Life of such Redeemed Principal as of such Settlement Date, or (ii) if (a) the Financial Times is not published on that day, or (b) there is a manifest error in the published figures or (c) the calculation in the Financial Times ceases to be in keeping with the Formula for the Calculation of Redemption Yields indicated by the Joint Index and Classification Committee of the Institute and Faculty of Actuaries as reported in the Journal of the Institute of Actuaries as reported in the Journal of the Institute of Actuaries Volume 105, Part I, 1978, Page 18 (the **“Formula”**), the gross redemption yield calculated on the basis of the arithmetic mean (to three decimal places 0.0005 rounded down) of the mid market price for such the Reference Stock on a dealing basis by three authorised leading market makers in the gilt-edged market as at or about 11.00 am on the second Business Day preceding the Settlement Date according to the Formula;

**“Remaining Life”** means, with respect to any Redeemed Principal, the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Redeemed Principal and the maturity date of the relevant Note;

**“Remaining Scheduled Payments”** means, with respect to the Redeemed Principal of any Note, all payments of such Redeemed Principal and interest thereon that would be due and payable after the Settlement Date with respect to such Redeemed Principal if no payment of such Redeemed Principal were made prior to its scheduled due date, provided that if such Settlement Date is not an Interest Payment Date, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to these Conditions;

**“Reversionary Interest”** means any freehold or long leasehold reversionary interest in a property;

**“Scheduled Redemption Date”** means 1 December 2034;

**“Securitisation Group”** means the Issuer, the Borrower, the Optionholder and each of the Charging Companies;

**“Security”** means any mortgage, pledge, lien, charge, security assignment, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security (including, for the avoidance of doubt, a floating charge) or any other type of preferential arrangement having a similar effect;

**“Security Over PL Shares Deed”** means the deed dated the Closing Date between Peverel Holdings Limited and the Borrower;

**“Security Over PSL Shares Deed”** means the deed dated the Closing Date between Peverel Limited and the Borrower;

**“Security Trustee”** means Bankers Trustee Company Limited, which expression shall include all persons from time to time being trustee or trustees appointed under the Borrower Debenture;

**“Settlement Date”** means, with respect to the Redeemed Principal of any Note, the date on which such Redeemed Principal has become or is declared to be immediately due and payable pursuant to these Conditions;

**“Specified Office”** means, in relation to any Paying Agent, either the office identified with its name in the Conditions or any other office notified to any relevant parties pursuant to the Paying Agency Agreement;

**“Subordinated Loan Provider”** means Peverel Holdings Limited;

**“Subscription Agreement”** means the subscription agreement in respect of the Class A Notes and the Class B Notes dated 31 March 2000 between, *inter alios*, the Issuer and Merrill Lynch International;



**“Successor”** means, in relation to any Paying Agent, such other or further person as may from time to time be appointed pursuant to the Paying Agency Agreement as a Paying Agent;

the **“TARGET system”** means the Trans-European Automated Real-time Gross Settlement Express Transfer system;

**“Tax Deed of Covenant”** means the tax deed of covenant dated the Closing Date between, *inter alios*, the Issuer, the Borrower, Peverel Securitisation Limited, Peverel Limited, Peverel Holdings Limited, the Note Trustee and the Security Trustee; and

the **“Treaty”** means the Treaty establishing the European Communities, as amended by the Treaty on European Union.

## TAXATION

*The following is a general description of certain United Kingdom and Cayman Islands tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes. Prospective purchasers of Notes should consult their tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the United Kingdom and the Cayman Islands of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date. This summary does not take into consideration any United Kingdom or Cayman Islands tax implications of a substitution of the Issuer.*

### United Kingdom Taxation

The comments below are of a general nature based on current United Kingdom law and Inland Revenue practice. They relate only to the position of persons who are the absolute beneficial owners of their Notes and Coupons relating thereto and may not apply to certain classes of persons such as dealers. They do not necessarily apply where the income is deemed for tax purposes to be income of any other person. Any Noteholders who are in doubt as to their personal tax position should consult their professional advisers.

#### A. *Taxation of interest paid*

1. Under current Inland Revenue practice, the Notes will be treated as “quoted Eurobonds” (Section 124 of the Income and Corporation Taxes Act 1988) so long as they are represented by the Global Notes in bearer form and are listed on a recognised stock exchange within the meaning of Section 841 of the Income and Corporation Taxes Act 1988 (the Luxembourg Stock Exchange is recognised for this purpose). Therefore, so long as the Notes are represented by either of the Global Notes and continue to be listed on a recognised stock exchange and held within a recognised clearing system as defined for the purposes of Section 124 of the Income and Corporation Taxes Act 1988 (Euroclear and Clearstream, Luxembourg have each been designated as a recognised clearing system for this purpose), payments of interest on the Notes by any Paying Agent may, under current law and practice, be made without withholding or deduction for or on account of United Kingdom income tax where:
  - (a) payment is made direct to the recognised clearing system; or
  - (b) in a case where payment is made to, or at the direction of, a depository for the recognised clearing system the Paying Agent obtains a valid declaration PA3 from the depository; or
  - (c) the Paying Agent has obtained a notice from the Inland Revenue directing the Paying Agent to pay the interest with no tax deducted.

This paragraph will not apply if the Notes cease to be represented by the Global Notes.

2. If the Notes cease to be represented by the Global Notes and Definitive Notes (in bearer form) are issued, the Definitive Notes will constitute “quoted Eurobonds” within the meaning of Section 124 of the Income and Corporation Taxes Act 1988, provided that they continue to be listed on a recognised stock exchange. Accordingly, payments of interest on the Notes may in such circumstances be made without withholding or deduction for or on account of United Kingdom income tax where:
  - (a) payment is made by or through a person (including a Paying Agent) who is not in the United Kingdom; or

(b) payment is made by or through a person (including a Paying Agent) who is in the United Kingdom and either:

(i) the interest is paid on a Note held in a recognised clearing system and one of the conditions set out in paragraph 1(a) and (b) above is satisfied; or

(ii) a person who is not resident in the United Kingdom is beneficially entitled to the interest and is the beneficial owner of the Notes on which the interest is paid and either:

(A) the Paying Agent obtains a valid declaration PA1 from the said person on the occasion of each payment; or

(B) the Paying Agent obtains on the occasion of each payment a valid declaration PA2 from another person who holds the Note for the non-resident person and who is entitled to arrange for the interest to be paid with no United Kingdom tax deducted; or

(C) the Paying Agent has obtained a notice from the Inland Revenue directing the Paying Agent to pay the interest with no tax deducted.

3. In all other cases, interest will be paid under deduction of United Kingdom lower rate income tax (currently at the rate of 20 per cent.) subject to any direction to the contrary by the Inland Revenue pursuant to the provisions of any appropriate double taxation treaty. If interest is paid under deduction of United Kingdom income tax, the Issuer will not be obliged to pay any additional amount in respect of the Notes.

4. Where a person in the United Kingdom in the course of a trade or profession:

(a) by means of Coupons, collects or secures payment of or receives interest on the Notes for a Noteholder or Couponholder; or

(b) arranges to collect or secure payment of interest on the Notes for a Noteholder or Couponholder; or

(c) acts as a custodian of the Notes and receives interest on the Notes or directs that interest on the Notes is paid to another person or consents to such payment; or

(d) sells or realises Coupons representing interest on the Notes,

(other than solely by clearing a cheque or arranging for the clearing of the cheque) that person (the "collecting agent") will be required to withhold United Kingdom income tax at the lower rate (currently 20 per cent.), subject to certain exceptions, including the following:

(i) the Notes are held in a recognised clearing system and either:

(1) the collecting agent pays or accounts for the interest directly to the recognised clearing system; or

(2) in a case where payment is made to, or at the direction of, a depositary for the recognised clearing system, the collecting agent obtains a valid declaration CA3 from the depositary; or

(3) the collecting agent acts as a depositary for the recognised clearing system; or

(ii) the person beneficially entitled to the interest owns the Notes and is not resident in the United Kingdom and the collecting agent either:

(1) holds a valid declaration CA1 from the said person; or

- (2) holds a valid declaration CA2 from a person (other than a beneficial owner of the Notes) to whom the interest is payable or who is entitled to arrange for the interest to be collected without deduction of United Kingdom tax and who is not a collecting agent in the United Kingdom; or
  - (3) the collecting agent has obtained a notice from the Inland Revenue directing the collecting agent to pay the interest with no tax deducted; or
  - (iii) the interest is payable to trustees of certain trusts, (called "qualifying discretionary and accumulation trusts") where essentially neither the trustees nor the beneficiaries are resident in the United Kingdom and the collecting agent has obtained a valid declaration CA1 from the trustee; or
  - (iv) the person beneficially entitled to the interest is eligible for certain reliefs from tax in respect of the interest (for example, charities or pension funds) and the collecting agent has obtained a valid declaration CA1 from the said person; or
  - (v) the collecting agent has obtained a notice from the Inland Revenue directing the collecting agent to pay the interest with no tax deducted.
5. Any declaration made as referred to above will not have effect in relation to any given interest payments or receipts where:
- (a) the person who made the declaration has notified the paying agent or collecting agent that the declaration does not apply, or has ceased to apply, to the payments or receipts in question; or
  - (b) the paying agent or collecting agent has reason to believe that the declaration is or has become incorrect as regards the relevant payments or receipts; or
  - (c) the paying agent or collecting agent has received notice from the Inland Revenue directing that the relevant payments or receipts arising after a specified date are chargeable payments or receipts.
6. The Issuer is not required to make any payments to Noteholders or Couponholders to compensate them for any withholding tax imposed in respect of payments under the Notes.
7. The current tax rules for financial institutions which act as collecting agents of international bonds and foreign dividends will be abolished from April 2001. New legislation will allow the Inland Revenue to obtain routine information about the United Kingdom savings income of all individuals. It will also allow the Inland Revenue to obtain information concerning taxpayers at the request of the tax authorities of another country with which the United Kingdom has a double taxation agreement and to enter into new tax information exchange agreements with other countries.

**B. *Payments under Guarantees***

If any Charging Company makes any payment under a Guarantee in respect of interest on the Notes (or other amounts under the Notes other than the repayment of amounts subscribed for the Notes), such payment may be subject to United Kingdom withholding tax at the basic rate (currently 23 per cent.), subject to such relief as may be available under any applicable double tax treaty or such relief as may be available under A above. It is expected that any such payments would be treated as payments of interest and accordingly granted the same exemptions as noted in A above.

**C. *Other Rules relating to United Kingdom Withholding Tax***

1. 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 in any applicable double taxation treaty.

2. The references to “interest” in A above mean “interest” as understood in United Kingdom tax law. The statements in A above do not take any account of any different definitions of “interest” or “principal” which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation (e.g. see Condition 4 of the Notes).
3. The above description of the United Kingdom withholding tax position assumes that there will be no substitution of an Issuer pursuant to Condition 12 of the Notes and does not consider the tax consequences of any such substitution.

**D. *Proposed European Directive on the Taxation of Savings***

In May 1998, the European Commission presented to the Council of Ministers of the European Union a proposal to oblige Member States to adopt either a “withholding tax system” or an “information reporting system” in relation to interest, discounts and premiums. It is unclear whether this proposal will be adopted, and if it is adopted, whether it will be adopted in its current form. The “withholding tax system” would require a paying agent established in a Member State to withhold tax at a minimum rate of 20 per cent. from any interest, discount or premium paid to an individual resident in another Member State unless such an individual presents a certificate obtained from the tax authorities of the Member State in which the individual is resident confirming that those authorities are aware of the payment due to that individual. The “information reporting system” would require a Member State to supply, to other Member States, details of any payment of interest, discount or premium made by paying agents within its jurisdiction to an individual resident in another Member State. A Member State would be free to choose which of these two systems to adopt. For these purposes, the term “paying agent” is widely defined and includes an agent who collects interest, discounts or premiums on behalf of an individual beneficially entitled thereto. If this proposal is adopted, it will not apply to payments of interest, discounts and premiums made before 1 January 2001. Noteholders who are individuals should note that, if this proposal is adopted in its current form, there might be an obligation to withhold tax on payments of interest on the Notes and that, in such an event, no additional amounts would be paid in respect of any withholding tax imposed as a result thereof.

**E. *Direct Assessment of Non-United Kingdom Resident Noteholders to United Kingdom Tax on United Kingdom Interest***

1. Interest on the Notes will have a United Kingdom source and accordingly will be within the charge to United Kingdom tax even if paid without withholding or deduction except that exemption from or reduction in any United Kingdom tax payable on the interest might be available in appropriate circumstances under the provisions of an applicable double taxation convention.
2. By way of exception to the charge described in section 1 above, interest on the Notes received without deduction or withholding for United Kingdom income tax will not be chargeable to United Kingdom income tax in the hands of a Noteholder who is not resident for tax purposes in the United Kingdom unless that holder carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the 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).

**F. *United Kingdom Capital Gains Tax – Individual Noteholders***

The Notes will not constitute qualifying corporate bonds within the meaning of section 117 of the Taxation of Chargeable Gains Act 1992, because the Notes may be converted into euro. Accordingly, Noteholders who are resident or ordinarily resident in the United Kingdom or carrying on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to

which the Notes are attributable, may be treated as realising chargeable gains (or allowable losses) on any disposal (which includes redemption) of the Notes by such Noteholders.

**G. *United Kingdom – Accrued Income – Individual Noteholders***

Where there is a transfer (which includes redemption) of a Note by a Noteholder who is resident or ordinarily resident in the United Kingdom or carrying on a trade in the United Kingdom through a branch or agency with which the ownership of the Note is connected, the Noteholder may be chargeable to United Kingdom tax on income such amount as is just and reasonable (under rules known as the accrued income scheme contained in Chapter II of Part XVII of the Income and Corporation Taxes Act 1988) as representing interest accrued on the Note at the time of transfer.

**H. *United Kingdom – Corporate Noteholders***

Noteholders which are companies within the charge to United Kingdom corporation tax (other than authorised unit trusts) will normally be taxed in respect of their returns from the Notes, including interest and returns attributable to movements in value (whether income or capital in nature), as income, which is calculated in accordance with an authorised accruals or mark-to-market basis of accounting. Relief may be available for related expenses on a similar basis.

**I. *Stamp Duty and Stamp Duty Reserve Tax***

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Global Notes or on the issue or transfer by delivery of a Note in definitive form.

**Cayman Islands Taxation**

The Issuer has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has obtained the following undertaking from the Governor in Council of the Cayman Islands:

**“The Tax Concessions Law  
(1995 Revision)  
Undertaking as to Tax Concessions**

In accordance with Section 6 of the Tax Concessions Law (1995 Revision), the Governor in Council undertakes with

**PEVEREL FUNDING LIMITED (the “Company”)**

- (a) that no Law which is hereafter enacted in the Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (1995 Revision).

These concessions shall be for a period of TWENTY years from the 30th day of November 1999.

**ACTING GOVERNOR IN COUNCIL.”**

## SUBSCRIPTION AND SALE

The Manager will, in a subscription agreement to be dated 31 March 2000 (the "Subscription Agreement") to be made between, *inter alios*, the Issuer and the Manager, upon the terms and subject to the conditions contained therein, agreed to subscribe and pay for the Class A Notes at their issue price of 98.451 per cent. of their principal amount and for the Class B Notes at their issue price of 99.657 per cent. of their principal amount. The Issuer will pay the Manager or procure the Manager is paid a combined management, underwriting and selling commission of an amount equal to the aggregate of 0.625 per cent. of the principal amount of the Class A Notes and 1.000 per cent. of the principal amount of the Class B Notes. The Issuer has agreed to reimburse the Manager for certain of its costs and expenses incurred in connection with the issue of the Notes. Under the Peverel/Issuer Loan Agreement, the Borrower has agreed to pay or procure payment by the Property Charging Companies to the Issuer of a lending fee equal to such costs and expenses incurred in connection with the issue of the Notes. The Manager is entitled in certain circumstances to be released and discharged from its obligations under the Subscription Agreement prior to the issue of the Notes. The Issuer, *inter alios*, has agreed to indemnify the Manager against certain liabilities in connection with its subscription for Notes as more particularly described in the Subscription Agreement.

### United States of America

1. The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Manager has represented and agreed that it has not offered or sold, and will not offer or sell the Notes (i) as part of its distribution at any time and (ii) otherwise until 40 days after the later of the commencement of the offering of the Notes and the Closing Date, except in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that neither it nor any of its affiliates (including any person acting on behalf of it or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes.

Terms used in this Section 1 have the meanings given to them by Regulation S under the Securities Act.

2. In addition:
  - (a) the Manager has represented and agreed that, except to the extent permitted under United States Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the "D Rules"), (a) it has not offered or sold, and during the restricted period will not offer or sell, any Notes to a person who is within the United States or its possessions or to a United States person, and (b) it has not delivered and will not deliver in definitive form within the United States or its possessions any Notes that are sold during the restricted period;
  - (b) the Manager has represented and agreed that it has, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Notes are aware that the Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules of the United States Internal Revenue Code;
  - (c) if it is a United States person, the Manager represents that it is acquiring the Notes for purposes of resale in connection with their original issuance and if it retains Notes for its own account, it will only do so in accordance with the requirements of the D Rules;

- (d) with respect to each affiliate of the Manager that acquires from it Notes for the purpose of offering or selling such Notes during the restricted period, the Manager has either (a) repeated and confirmed the representations and agreements contained in paragraph 2(a), (b) and (c) on its behalf or (b) agreed that it will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs 2(a), (b) and (c); and
- (e) terms used in this Section 2 have the meanings given to them by the United States Internal Revenue Code and regulations thereunder, including the D Rules.

### **United Kingdom**

The Manager has further represented and agreed that:

- (a) it has not offered or sold and will not offer or sell any Notes in the United Kingdom prior to the expiry of the period of six months from the issue date of the Notes 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 businesses 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 or the Financial Services Act 1986 (the "Act");
- (b) it has complied and will comply with all applicable provisions of the Act 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 issued or passed on and will only issue or pass on in the United Kingdom any document received by it in connection with the issue of the Notes to a person who is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

### **Cayman Islands**

The Manager has represented and agreed that it has not and will not make any invitation to the public in the Cayman Islands to subscribe for the Notes.

### **General**

The distribution of this Offering Circular and the purchasing, offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer and the Manager to inform themselves about and to observe any such restrictions, in all cases at their own expense.



## GENERAL INFORMATION

1. The creation and issue of the Notes has been or will be authorised by a resolution of the Board of Directors of the Issuer passed on or before 30 March 2000.
2. The giving of the Guarantees has been or will be authorised by resolutions of the Boards of Directors of the Charging Companies passed on or before 30 March 2000.
3. Application has been made to list the Notes on the Luxembourg Stock Exchange. The Memorandum and Articles of Association of the Issuer and the Legal Notice relating to the issue of the Notes have been deposited with the Registrar of the District Court in Luxembourg (*Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg*), where such documents will be available for inspection and where copies of such documents will be obtainable upon request.
4. The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The ISIN for the Class A Notes is XS0109781657 and the common code is 010978165. The ISIN for the Class B Notes is XS0109780170 and the common code is 010978017.
5. There are no litigation or arbitration proceedings, including any which are pending or threatened, of which the Issuer is aware, which may have, or have had since 12 November 1999 (being the date of incorporation of the Issuer), a significant effect on the financial position of the Issuer.
6. There are no litigation or arbitration proceedings, including any which are pending or threatened, of which the Borrower is aware, which may have, or have had since 23 August 1999 (being the date of incorporation of the Borrower), a significant effect on the financial position of the Borrower.
7. There are no litigation or arbitration proceedings, including any which are pending or threatened, of which any of the Charging Companies is aware, which may have, or have had in the 12 months preceding the date of this Offering Circular (or in the period since the date of incorporation of a Charging Company if shorter), a significant effect on the financial position of such Charging Company.
8. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer since 12 November 1999 (being the date of incorporation of the Issuer) and, since such date, save as disclosed in this Offering Circular, there has been no material adverse change in the financial position of the Issuer.
9. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Borrower since 23 August 1999 (being the date of incorporation of the Borrower) and, since such date, save as disclosed in this Offering Circular, there has been no material adverse change in the financial position of the Borrower.
10. Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position of any of the Charging Companies since the date of the last published audited financial statements (or, in the case of Peverel Freehold Reversions Limited and Peverel Securitisation Limited, their date of incorporation or, in the case of Balfour Freeholds Limited, 31 December 1998, in the case of Peverel Investments, Peverel Property Investments Limited and O.M. Limited, 31 May 1999 and in the case of Meridian Land & Investments, Retirement Care (Southern) Limited and Lincourt Management Services Limited, 31 March 1999) of the relevant Charging Company.
11. Ernst & Young have given, and have not withdrawn, their written consent to the inclusion of their reports in this Offering Circular in the form and context in which they are included.
12. The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the audited unconsolidated financial statements of Peverel Investments for the years ended 31 May 1998 and 31 May 1999;
- (b) the audited financial statements of Peverel Property Investments Limited for the years ended 31 May 1998 and 31 May 1999;
- (c) the audited financial statements of O.M. Limited for the 11 months ended ended 31 May 1998 and for the year ended 31 May 1999;
- (d) the audited unconsolidated financial statements of Meridian Land & Investments Limited for the years ended 31 March 1998 and 31 March 1999;
- (e) the audited financial statements for the years ended 31 March 1998 and 31 March 1999 for each of Retirement Care (Southern) Investments Limited and Lincourt Management Services Limited; and
- (f) the unaudited financial statements of Balfour Freeholds Limited for the years ended 31 December 1997 and 31 December 1998.

The financial statements referred to in paragraphs (a) and (b) above and (c) as to the year ended 31 May 1999, were audited by Ernst & Young, chartered accountants of Wessex House, 19 Threefield Lane, Southampton, SO14 3QB, who gave reports under section 235 of the Companies Act 1985, as amended, which were not qualified and did not contain any such statement under section 237(2) or (3) of the Companies Act 1985, as amended.

The financial statements referred to in paragraph (c) above as to the 11 months ended 31 May 1998 were audited by Chantrey Vellacott, chartered accountants of Dergate Mews, Dergate, Northampton, NN1 1UE, who gave reports under section 235 of the Companies Act 1985, as amended, which were not qualified and did not contain any such statement under section 237(2) or (3) of the Companies Act 1985, as amended.

The financial statements referred to in paragraph (d) and (e) above were audited by Deloitte & Touche, chartered accountants of Hill House, 1 Little New Street, London EC4A 3TR, who gave reports under section 235 of the Companies Act 1985, as amended, which were not qualified and did not contain any such statement under section 237(2) or (3) of the Companies Act 1985, as amended.

The financial statements referred to in paragraph (f) above are unaudited because Balfour Freeholds Limited was dormant during the relevant periods.

13. For so long as the Notes are outstanding, copies of the following documents may be inspected during normal business hours at the offices of the Principal Paying Agent:
- (a) the Memorandum and Articles of Association of the Issuer;
  - (b) the Memorandum and Articles of Association of the Borrower;
  - (c) the Paying Agency Agreement;
  - (d) the Trust Deed;
  - (e) the Post Enforcement Call Option;
  - (f) the Deed of Charge;
  - (g) the Peverel/Issuer Loan Agreement;
  - (h) the Borrower Subordinated Loan Agreement;
  - (i) the Borrower Voluntary Loan Agreement;

- (j) the Option Income Shortfall Loan Agreement;
  - (k) the Master Definitions Schedule;
  - (l) the Property Management Agreement;
  - (m) the Cash Management Agreement;
  - (n) the Borrower Debenture;
  - (o) the Liquidity Facility Agreement;
  - (p) the Bank Agreement;
  - (q) the Corporate Services Agreement;
  - (r) the Tax Deed of Covenant;
  - (s) the Priorities Agreement;
  - (t) the Security Over PL Shares Deed;
  - (u) the Security Over PSL Shares Deed;
  - (v) the balance sheet of the Issuer as at 30 March 2000 and the accountant's report thereon;
  - (w) the balance sheet of the Borrower as at 30 March 2000 and the accountant's report thereon; and
  - (x) the financial statements referred to in paragraph 12 above which have been incorporated by reference into this Offering Circular.
14. Copies of the documents referred to in paragraph 13 above, the Property Due Diligence Matrix and all future published financial statements of the Issuer, the Borrower and the Charging Companies will be available free of charge at the offices of the Paying Agent in Luxembourg whilst the Notes are listed on the Luxembourg Stock Exchange. Copies of the investor reports referred to in "Information on the Property Portfolio – Investor Reports" above, which are to be prepared by the Borrower based on information received from the Cash Manager and the Managing Agents will be issued by the Issuer on a semi-annual basis and will (subject as stated above) be made available by the Issuer free of charge at the offices of the Paying Agent in Luxembourg whilst the Notes are listed on the Luxembourg Stock Exchange.
15. The Issuer, Peverel Property Investments Limited, O.M. Limited, Retirement Care (Southern) Investments Limited, Balfour Freeholds Limited and Lincourt Management Services Limited publish audited annual financial statements. The Borrower, Peverel Investments, Meridian Land & Investments Limited, Peverel Securitisation Limited and Peverel Freehold Reversions Limited publish audited annual financial statements. None of the Issuer, the Borrower or the Charging Companies publishes interim financial statements.
16. The financial year end of the Issuer and the Borrower is currently 31 May. The Issuer and the Borrower intend to change their financial year end to 31 December as set out in paragraph 17 below. The published audited financial statements of the Issuer and the published audited financial statements of the Borrower for the period from the date of incorporation of the Issuer (12 November 1999) and the Borrower (23 August 1999) respectively to 31 May 2000 will be available within four months of the end of such period.
17. The financial year end of Balfour Freeholds Limited is 31 December. Following the publication by the other Charging Companies, the Issuer and the Borrower of financial statements for periods ending on their current financial year ends (31 March or 31 May as the case may be), such other Charging Companies, the

Issuer and the Borrower intend to change their respective financial year ends to 31 December, and publish financial statements for the relevant period ending 31 December 2000. Thereafter, the Issuer, the Borrower and the Charging Companies intend to publish annual financial statements for the years ending 31 December, which financial statements will be available within three months of such year end.

## APPENDIX – THE CHARGING COMPANIES

### *PEVEREL SECURITISATION LIMITED*

#### **Introduction**

Peverel Securitisation Limited was incorporated in England and Wales on 9 November 1999 (registered number 3874014) with limited liability under the Companies Act 1985. The registered office of Peverel Securitisation Limited is at Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR. The authorised share capital of Peverel Securitisation Limited as at the date of this Offering Circular is £15,000,000 divided into 15,000,000 ordinary shares of £1 each, ten of which have been issued and are held by Peverel Limited. The subsidiary undertakings of Peverel Securitisation Limited are the Issuer and the Borrower.

#### **Principal Activities**

The principal objects of Peverel Securitisation Limited are set out in its Memorandum of Association and are, *inter alia*, to carry on business as a general commercial company.

#### **Directors and Secretary**

The directors of Peverel Securitisation Limited and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Other Principal Activities</b>
Nigel Gordon Bannister	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director
Martin Lee Dalby	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Finance Director
Keith Charles Rutherford	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director

SFM Directors Limited of Blackwell House, Guildhall Yard, London EC2V 5AE, the principal activity of which is the management of special purpose companies, will be appointed as a director of Peverel Securitisation Limited at the time of issue of the Notes.

Nigel Gordon Bannister is chairman of Peverel Securitisation Limited. The company secretary of Peverel Securitisation Limited is Martin Lee Dalby, whose business address is Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR.

Peverel Securitisation Limited has no employees.

### **Selected Financial Information**

There is no available financial information for Peverel Securitisation Limited because the company was formed for the purpose of this transaction and has no significant trading history.

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of Peverel Securitisation Limited since 9 November 1999 (being the date of incorporation of Peverel Securitisation Limited).

## PEVEREL INVESTMENTS

### Introduction

Peverel Investments was incorporated in England and Wales on 15 November 1983 (registered number 1769945) with limited liability under the Companies Acts 1948 to 1981. It was re-registered as an unlimited liability company on 17 October 1996. The registered office of Peverel Investments is at Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR. The authorised share capital of Peverel Investments as at the date of this Offering Circular is £2,000, divided into 2,000 ordinary shares of £1 each, 100 of which have been issued and are held by Peverel Management Services Limited.

### Principal Activities

The principal objects of Peverel Investments are set out in its Memorandum of Association and are, *inter alia*, to carry on the business of an investment company.

### Directors and Secretary

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

Name	Business Address	Other Principal Activities
Nigel Gordon Bannister	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director
Martin Lee Dalby	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Finance Director
Keith Charles Rutherford	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director

SFM Directors Limited of Blackwell House, Guildhall Yard, London EC2V 5AE, the principal activity of which is the management of special purpose companies, will be appointed as a director of Peverel Investments at the time of issue of the Notes.

Nigel Gordon Bannister is chairman of Peverel Investments. The company secretary of the Peverel Investments is Martin Lee Dalby, whose business address is Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR.

Peverel Investments has no employees.

## Selected Financial Information

Selected financial information for Peverel Investments, for the two years ended 31 May 1999 and 1998, is as follows:

	1999 £	1998 £
Turnover .....	4,618,039	4,483,064
Net operating profit before Taxation .....	4,544,610	4,237,654
Total Assets .....	61,929,507	58,898,258
Total Liabilities .....	(42,174,727)	(39,163,265)
Shareholders' Funds .....	19,754,780	19,734,993

Peverel Investments does not produce interim financial statements. The financial statements set out above are the most recent available. Save as disclosed in the Offering Circular, there has been no significant change in the financial or trading position of Peverel Investments since 31 May 1999.



## **PEVEREL PROPERTY INVESTMENTS LIMITED**

### **Introduction**

Peverel Property Investments Limited was incorporated in England and Wales on 25 January 1994 (registered number 2891085) with limited liability under the Companies Act 1985. The registered office of Peverel Property Investments Limited is at Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR. The authorised share capital of Peverel Property Investments Limited is as at the date of this Offering Circular £100, divided into 100 ordinary shares of £1 each, 100 of which have been issued and is held by Peverel Investments. Peverel Property Investments Limited has no subsidiary undertakings.

### **Principal Activities**

The principal objects of Peverel Property Investments Limited are set out in its Memorandum of Association and are, *inter alia*, to carry on the business of a property investment company and investment holding company.

### **Directors and Secretary**

The directors of Peverel Property Investments Limited and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Other Principal Activities</b>
Nigel Gordon Bannister	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director
Martin Lee Dalby	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Finance Director
Keith Charles Rutherford	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director

SFM Directors Limited of Blackwell House, Guildhall Yard, London EC2V 5AE, the principal activity of which is the management of special purpose companies, will be appointed as a director of Peverel Property Investments Limited at the time of issue of the Notes.

Nigel Gordon Bannister is chairman of Peverel Property Investments Limited. The company secretary of Peverel Property Investments Limited is Martin Lee Dalby, whose business address is Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR.

Peverel Property Investments Limited has no employees.

### Selected Financial Information

Selected financial information for Peverel Property Investments Limited, for the two years ended 31 May 1999 and 1998, is as follows:

	1999	1998
	£	£
Turnover .....	736,459	760,650
Net profit before Taxation .....	736,389	759,452
Total Assets.....	8,427,940	8,322,766
Total Liabilities.....	(3,536,225)	(3,675,090)
Shareholders' Funds .....	4,891,715	4,647,676

Peverel Property Investments Limited does not produce interim financial statements. The financial statements set out above are the most recent available. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of Peverel Property Investments Limited since 31 May 1999.

## O.M. LIMITED

### Introduction

O.M. Limited was incorporated in England and Wales on 21 May 1981 (registered number 1563296) with limited liability under the Companies Acts 1948 to 1981. The registered office of O.M. Limited is at Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR. The authorised share capital of O.M. Limited as at the date of this Offering Circular is £21,100, divided into 21,100 ordinary shares of £1 each, 20,000 of which have been issued and are held by Peverel Investments. O.M. Limited has no subsidiary undertakings.

### Principal Activities

The principal objects of O.M. Limited are set out in its Memorandum of Association and are, *inter alia*, to carry on the business of a property investment company and investment holding company.

### Directors and Secretary

The directors of O.M. Limited and their respective business addresses and other principal activities are:

Name	Business Address	Other Principal Activities
Nigel Gordon Bannister	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director
Martin Lee Dalby	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Finance Director
Keith Charles Rutherford	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director

SFM Directors Limited of Blackwell House, Guildhall Yard, London EC2V 5AE, the principal activity of which is the management of special purpose companies, will be appointed as a director of O.M. Limited at the time of issue of the Notes.

Nigel Gordon Bannister is chairman of O.M. Limited. The company secretary of O.M. Limited is Martin Lee Dalby, whose business address is Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR.

O.M. Limited has two employees, whose services are rendered to O.M. Management Services Limited.

### Selected Financial Information

Selected financial information for O.M. Limited, for the 11 month period ended 31 May 1998 and the year ended 31 May 1999, is as follows:

	1999	1998
	£	£
Turnover .....	599,597	1,196,465
Net profit before Taxation .....	594,417	762,892
Total Assets .....	9,787,590	8,724,683
Total Liabilities .....	(3,292,210)	(1,150,700)
Shareholders' Funds .....	6,495,380	7,573,983

O.M. Limited does not produce interim financial statements. The financial statements set out above are the most recent available. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of O.M. Limited since 31 May 1999.

## MERIDIAN LAND & INVESTMENTS LIMITED

### Introduction

Meridian Land & Investments Limited was incorporated in England and Wales on 8 November 1984 (registered number 1861973) with limited liability under the Companies Acts 1948 to 1981. The registered office of Meridian Land & Investments Limited is at Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR. The authorised share capital of Meridian Land & Investments Limited as at the date of this Offering Circular is £100, divided into 100 ordinary shares of £1 each, two of which have been issued and are held by Meridian Property Group Limited. The subsidiary of Meridian Land & Investments Limited is Lincourt Management Services Limited.

### Principal Activities

The principal objects of Meridian Land & Investments Limited are set out in its Memorandum of Association and are, *inter alia*, to carry on the business of a property investment company and investment holding company.

### Directors and Secretary

The directors of Meridian Land & Investments Limited and their respective business addresses and other principal activities are:

Name	Business Address	Other Principal Activities
Nigel Gordon Bannister	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director
Martin Lee Dalby	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Finance Director
Keith Charles Rutherford	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director

SFM Directors Limited of Blackwell House, Guildhall Yard, London EC2V 5AE, the principal activity of which is the management of special purpose companies, will be appointed as a director of Meridian Land & Investments Limited at the time of issue of the Notes.

Nigel Gordon Bannister is chairman of Meridian Land & Investments Limited. The company secretary of Meridian Land & Investments Limited is Martin Lee Dalby, whose business address is Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR.

Meridian Land & Investments Limited has no employees.

### Selected Financial Information

Selected financial information for Meridian Land & Investments Limited, for the two years ended 31 March 1999 and 1998, is as follows:

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Turnover .....	<u>129,770</u>	<u>-</u>
Net profit/(loss)before Taxation .....	<u>129,770</u>	<u>(49,852)</u>
Total Assets.....	930,901	905,025
Total Liabilities.....	(440,700)	(544,594)
Shareholders' Funds .....	<u>490,201</u>	<u>360,431</u>

Meridian Land & Investments Limited does not produce interim financial statements. The financial statements set out above are the most recent available. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of Meridian Land & Investments Limited since 31 March 1999.

## **RETIREMENT CARE (SOUTHERN) INVESTMENTS LIMITED**

### **Introduction**

Retirement Care (Southern) Investments Limited was incorporated in England and Wales on 25 June 1992 (registered number 2726170) with limited liability under the Companies Act 1985. The registered office of Retirement Care (Southern) Investments Limited is at Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR. The authorised share capital of Retirement Care (Southern) Investments Limited as at the date of this Offering Circular is £100, divided into 100 ordinary shares of £1 each, two of which have been issued and are held by Retirement Care (Southern) Limited. Retirement Care (Southern) Investments Limited has no subsidiary undertakings.

### **Principal Activities**

The principal objects of Retirement Care (Southern) Investments Limited are set out in its Memorandum of Association and are, *inter alia*, to carry on the business of a property investment company and investment holding company.

### **Directors and Secretary**

The directors of Retirement Care (Southern) Investments Limited and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Other Principal Activities</b>
Nigel Gordon Bannister	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director
Martin Lee Dalby	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Finance Director
Keith Charles Rutherford	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director

SFM Directors Limited of Blackwell House, Guildhall Yard, London EC2V 5AE, the principal activity of which is the management of special purpose companies, will be appointed as a director of Retirement Care (Southern) Investments Limited at the time of issue of the Notes.

Nigel Gordon Bannister is chairman of Retirement Care (Southern) Investments Limited. The company secretary of Retirement Care (Southern) Investments Limited is Martin Lee Dalby, whose business address is Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR.

Retirement Care (Southern) Investments Limited has no employees.

### Selected Financial Information

Selected financial information for Retirement Care (Southern) Investments Limited, for the two years ended 31 March 1999 and 1998, is as follows:

	1999	1998
	£	£
Turnover .....	50,011	49,815
Net profit before Taxation .....	50,011	45,375
Total Assets .....	1,322,490	1,272,479
Total Liabilities .....	(502,618)	(502,618)
Shareholders' Funds .....	819,872	769,861

Retirement Care (Southern) Investments Limited does not produce interim financial statements. The financial statements set out above are the most recent available. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of Retirement Care (Southern) Investments Limited since 31 March 1999.



## BALFOUR FREEHOLDS LIMITED

### Introduction

Balfour Freeholds Limited was incorporated in England and Wales on 19 April 1996 (registered number 03188300) with limited liability under the Companies Act 1985. The registered office of Balfour Freeholds Limited is at Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR. The authorised share capital of Balfour Freeholds Limited as at the date of this Offering Circular is £1,000, divided into 1000 ordinary shares of £1 each, 2 of which have been issued and are held by Peverel Investments. Balfour Freeholds Limited has no subsidiary undertakings.

### Principal Activities

The principal objects of Balfour Freeholds Limited are set out in its Memorandum of Association and are, *inter alia*, to carry on the business of a property investment company and investment holding company.

### Directors and Secretary

The directors of Balfour Freeholds Limited and their respective business addresses and other principal activities are:

Name	Business Address	Other Principal Activities
Nigel Gordon Bannister	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director
Martin Lee Dalby	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Finance Director
Keith Charles Rutherford	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director

SFM Directors Limited of Blackwell House, Guildhall Yard, London EC2V 5AE, the principal activity of which is the management of special purpose companies, will be appointed as a director of Balfour Freeholds Limited at the time of issue of the Notes.

Nigel Gordon Bannister is chairman of Balfour Freeholds Limited. The company secretary of Balfour Freeholds Limited is Martin Lee Dalby, whose business address is Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR.

Balfour Freeholds Limited has no employees.

### Selected Financial Information

Selected financial information for Balfour Freeholds Limited, for the two years ended 31 December 1998 and 1997, is as follows:

	1998	1997
	£	£
Turnover .....	—	—
Net profit before Taxation .....	—	—
Total Assets.....	2	2
Total Liabilities.....	—	—
Shareholders' Funds .....	2	2

Balfour Freeholds Limited does not produce interim financial statements. The financial statements set out above are the most recent available. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of Balfour Freeholds Limited since 31 December 1998.

## **LINCOURT MANAGEMENT SERVICES LIMITED**

### **Introduction**

Lincourt Management Services Limited was incorporated in England and Wales on 7 April 1986 (registered number 2007287) with limited liability under the Companies Act 1985. The registered office of Lincourt Management Services Limited is at Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR. The authorised share capital of Lincourt Management Services Limited as at the date of this Offering Circular is £100,000, divided into 100,000 ordinary shares of £1 each, 100 of which have been issued and are held by Meridian Land & Investments Limited. Lincourt Management Services Limited has no subsidiary undertakings.

### **Principal Activities**

The principal objects of Lincourt Management Services Limited are set out in its Memorandum of Association and are, *inter alia*, to carry on the business of a property investment company.

### **Directors and Secretary**

The directors of Lincourt Management Services Limited and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Other Principal Activities</b>
Nigel Gordon Bannister	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director
Martin Lee Dalby	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Finance Director
Keith Charles Rutherford	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director

SFM Directors Limited of Blackwell House, Guildhall Yard, London EC2V 5AE, the principal activity of which is the management of special purpose companies, will be appointed as a director of Lincourt Management Services Limited at the time of issue of the Notes.

Nigel Gordon Bannister is chairman of Lincourt Management Services Limited. The company secretary of Lincourt Management Services Limited is Martin Lee Dalby, whose business address is Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR.

Lincourt Management Services Limited has no employees.

### Selected Financial Information

Selected financial information for Lincourt Management Services Limited, for the two years ended 31 March 1999 and 1998, is as follows:

	<b>1999</b>	<b>1998</b>
	<b>£</b>	<b>£</b>
Turnover .....	—	—
Net profit before Taxation .....	—	—
Total Assets.....	52,344	52,344
Total Liabilities.....	(272)	(272)
Shareholders' Funds .....	52,072	52,072

Lincourt Management Services Limited does not produce interim financial statements. The financial statements set out above are the most recent available. Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of Lincourt Management Services Limited since 31 March 1999.

## **PEVEREL FREEHOLD REVERSIONS LIMITED**

### **Introduction**

Peverel Freehold Reversions Limited was incorporated in England and Wales on 20 August 1999 (registered number 3829467) with limited liability under the Companies Act 1985. The registered office of Peverel Freehold Reversions Limited is at Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR. The authorised share capital of Peverel Freehold Reversions Limited as at the date of this Offering Circular is £1,000, divided into 1000 ordinary shares of £1 each, one of which has been issued and is held by Peverel Management Services Limited. Peverel Freehold Reversions Limited has no subsidiary undertakings.

### **Principal Activities**

The principal objects of Peverel Freehold Reversions Limited are set out in its Memorandum of Association and are, *inter alia*, to carry on business as a general commercial company.

### **Directors and Secretary**

The directors of Peverel Freehold Reversions Limited and their respective business addresses and other principal activities are:

<b>Name</b>	<b>Business Address</b>	<b>Other Principal Activities</b>
Nigel Gordon Bannister	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director
Martin Lee Dalby	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Finance Director
Keith Charles Rutherford	Queensway House 11 Queensway New Milton Hampshire BH25 5NR	Company Director

SFM Directors Limited of Blackwell House, Guildhall Yard, London EC2V 5AE, the principal activity of which is the management of special purpose companies, will be appointed as a director of Peverel Freehold Reversions Limited at the time of issue of the Notes.

Nigel Gordon Bannister is chairman of Peverel Freehold Reversions Limited. The company secretary of Peverel Freehold Reversions Limited is Martin Lee Dalby, whose business address is Queensway House, 11 Queensway, New Milton, Hampshire BH25 5NR.

Peverel Freehold Reversions Limited has no employees or non-executive directors.

### **Selected Financial Information**

There is no available financial information for Peverel Freehold Reversions Limited because the company was formed for the purpose of this transaction and has no significant trading history.

Save as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of Peverel Freehold Reversions Limited since 20 August 1999 (being the date of incorporation of Peverel Freehold Reversions Limited).

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