£347,758,000
EUROPEAN PRIME REAL ESTATE NO. 1 plc
(incorporated with limited liability in England and Wales)
Commercial Mortgage Backed Floating Rate Notes due 2014

*Application has been made to the Irish Financial Services Regulatory Authority ("**IFSRA**") in its capacity as the competent authority under Irish law pursuant to Directive 2003/71/EC (the "**Prospectus Directive**") for the £286,900,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2014 (the "**Class A Notes**"), the £20,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2014 (the "**Class B Notes**"), the £25,200,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2014 (the "**Class C Notes**") and the £15,658,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2014 (the "**Class D Notes**" and, together with the Class A Notes, the Class B Notes and the Class C Notes, the "**Notes**") of European Prime Real Estate No. 1 plc (the "**Issuer**") to be admitted to the Official List of the Irish Stock Exchange. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been listed on the Irish Stock Exchange's Regulated Market. The Irish Stock Exchange's Regulated Market is a regulated market for the purposes of the Investment Services Directive (Directive 93/22/EC). There can be no assurance that any such listing will be obtained or, if obtained, will be maintained.*

*Interest on the Notes will be payable quarterly in arrear in pounds sterling on 27th January, 27th April, 27th July and 27th October in each year, subject to adjustment for non-business days as described herein (each an "**Interest Payment Date**"). The first Interest Payment Date will be 27th October, 2005. The interest rate applicable to the Notes from time to time will be determined by reference to the London Interbank Offered Rate ("**LIBOR**") for three-month sterling deposits plus a margin which will be different for each class of Notes, as set out under "Margin over LIBOR" in the table below.*

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

	Expected Ratings							
			Initial Principal Amount	Margin over LIBOR	Estimated Average Life(1)	Expected Final Interest Payment Date	Maturity Date	Issue Price(2)
Class	Fitch	S&P						
A Notes	AAA	AAA	£286,900,000	0.24 per cent.	6.1 years	April 2012	April 2014	100%
B Notes	AA	AA	£20,000,000	0.32 per cent.	6.2 years	April 2012	April 2014	100%
C Notes	A	A	£25,200,000	0.55 per cent.	6.2 years	April 2012	April 2014	100%
D Notes	BBB	BBB	£15,658,000	0.85 per cent.	6.0 years	April 2012	April 2014	100%

(1) See "Estimated Average Lives of the Notes and Assumptions" at page 142.

(2) Plus accrued interest, if any.

The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by, Morgan Stanley Bank International Limited or any affiliate thereof, or Hypo Real Estate Bank International, or any affiliate thereof, or of or by the Managers, the Master Servicer, the Master Special Servicer, the HRE Loan Sub-Servicer, the HRE Loan Sub-Special Servicer, the Cash Manager, the Note Trustee, the Issuer Security Trustee, any Loan Security Trustee, the Corporate Services Provider, the Share Trustee, the Nominee Trustee, the PECO Holder, the Principal Paying Agent, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Issuer Swap Provider, the Issuer Swap Guarantor, the Exchange Agent, the Reporting Agent or the Operating Bank (each as defined herein) or any of their respective affiliates and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

*The Notes will be issued simultaneously on the Closing Date. All Notes will be secured by the same security, subject to the priority described herein. The Notes of each class will rank pari passu with each other and without priority over other Notes of the same class. Prior to redemption on the Interest Payment Date falling in April, 2014 (the "**Maturity Date**"), the Notes will be subject to mandatory redemption in certain circumstances. For further information, see "Terms and Conditions of the Notes – Redemption and Cancellation" at page 156.*

*THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER RELEVANT JURISDICTION. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**").*

*THE NOTES MAY BE OFFERED AND SOLD ONLY (A) WITHIN THE UNITED STATES OR TO A U.S. PERSON IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO QUALIFIED INSTITUTIONAL BUYERS AS DEFINED THEREIN ("**QUALIFIED INSTITUTIONAL BUYERS**") THAT ARE ALSO QUALIFIED PURCHASERS ("**QUALIFIED PURCHASERS**") WITHIN THE MEANING OF SECTION 2(A)(51) OF THE INVESTMENT COMPANY ACT AND THE RULES THEREUNDER AND (B) OUTSIDE THE UNITED STATES TO PERSONS (WHO ARE NOT U.S. PERSONS) PURSUANT TO REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"). FOR FURTHER INFORMATION ABOUT CERTAIN RESTRICTIONS ON RESALES OR TRANSFERS, SEE "TRANSFER RESTRICTIONS" AT PAGE 190.*

THE NOTES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS DOCUMENT NOR ANY PART HEREOF NOR ANY OTHER OFFERING CIRCULAR, PROSPECTUS, FORM OF APPLICATION, ADVERTISEMENT, OTHER OFFERING MATERIAL OR OTHER INFORMATION MAY BE ISSUED, DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION (INCLUDING THE UNITED KINGDOM), EXCEPT IN CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ALL APPLICABLE LAWS, ORDERS, RULES AND REGULATIONS.

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

*The Notes are expected to settle in book-entry form through the facilities of DTC, Euroclear and Clearstream, Luxembourg (each as defined herein) on or about 2nd August, 2005 (the "**Closing Date**") against payments therefor in immediately available funds.*

See "Risk Factors" at page 35 for a discussion of certain factors to be considered in connection with an investment in the Notes.

HYPO REAL ESTATE BANK INTERNATIONAL
Co-Arranger

MORGAN STANLEY
Co-Arranger

MORGAN STANLEY
Lead Manager and Sole Bookrunner

HYPO REAL ESTATE BANK INTERNATIONAL
Co-Manager

CALYON
Co-Manager

The date of this Prospectus is ● July, 2005.

IMPORTANT NOTICE

This document comprises a prospectus (the "**Prospectus**") for the purposes of Article 5 of Directive 2003/71/EC (the "**Prospectus Directive**") and for the purpose of giving information with regard to the Issuer which is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the rights attaching to the Notes.

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference.

The Issuer accepts responsibility for all information contained in this Prospectus. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is or has been authorised in connection with the issue and sale of the Notes to give any information or to make any representation not contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by or on behalf of the Issuer, the MS Loan Originator or any affiliate thereof, the HRE Loan Originator or any affiliate thereof, the Managers, the Master Servicer, the Master Special Servicer, the HRE Loan Sub-Servicer, the HRE Loan Sub-Special Servicer, the Cash Manager, the Note Trustee, the Issuer Security Trustee, the Corporate Services Provider, the Share Trustee, the Nominee Trustee, the PECO Holder, the Principal Paying Agent, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Issuer Swap Provider, the Issuer Swap Guarantor, the Exchange Agent, the Reporting Agent or the Operating Bank. Neither the delivery of this Prospectus nor any sale or allotment made in connection with the offering of any of the Notes shall, under any circumstances, constitute a representation or create any implication that there has been no change in the information contained herein since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

Other than the approval by IFSRA as competent authority under the Prospective Directive no action has been or will be taken to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. The distribution of this Prospectus and the offering of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part hereof) comes are required by the Issuer and the Managers to inform themselves about, and to observe, any such restrictions. Neither this Prospectus nor any part hereof constitutes an offer of, or an invitation by or on behalf of the Issuer or the Managers to subscribe for or purchase any of, the Notes and neither this Prospectus, nor any part hereof, may be used for or in connection with an offer to, or solicitation by, any person in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. For a further description of certain restrictions on offers and sales of the Notes and distribution of this Prospectus (or any part hereof) see below "Subscription and Sale" at page 187 and "Transfer Restrictions" at page 190.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLER OF ANY RULE 144A NOTES MAY BE RELYING ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A AND AN EXCLUSION FROM THE DEFINITION OF "INVESTMENT COMPANY" UNDER THE INVESTMENT COMPANY ACT AND NO TRANSFER OF A RULE 144A NOTE MAY BE MADE WHICH WOULD CAUSE THE ISSUER TO BECOME SUBJECT TO THE REGISTRATION REQUIREMENTS OF THE INVESTMENT COMPANY ACT.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS PROSPECTUS, EACH OFFEREE OR HOLDER OF THE NOTES (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF SUCH OFFEREE OR HOLDER) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE UNITED STATES FEDERAL, STATE, OR LOCAL TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTION (AS DEFINED IN SECTION 1.6011-4 OF THE UNITED STATES TREASURY REGULATIONS) AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO THE TAXPAYER RELATING TO SUCH FEDERAL, STATE, OR LOCAL TAX TREATMENT AND TAX STRUCTURE.

EACH PURCHASER OF NOTES OFFERED HEREBY WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS AS SET FORTH

HEREIN UNDER "TRANSFER RESTRICTIONS" AND "ERISA CONSIDERATIONS" AT PAGES 190 AND 185, RESPECTIVELY. THE NOTES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN UNDER "TRANSFER RESTRICTIONS" AND "ERISA CONSIDERATIONS" AT PAGES 190 AND 185, RESPECTIVELY.

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

THE REG S NOTES (AS DEFINED HEREIN) AND CERTAIN OF THE RULE 144A NOTES ARE NOT DESIGNED FOR, AND MAY NOT BE PURCHASED OR HELD BY, ANY "EMPLOYEE BENEFIT PLAN" (AS DEFINED IN SECTION 3(3) OF THE UNITED STATES' EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") WHICH IS SUBJECT THERETO), OR ANY "PLAN" (AS DEFINED IN SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") WHICH IS SUBJECT THERETO), OR BY ANY PERSON ANY OF THE ASSETS OF WHICH ARE, OR ARE DEEMED FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE TO BE, ASSETS OF SUCH EMPLOYEE BENEFIT PLAN OR PLAN, AND EACH PURCHASER OF A REG S NOTE WILL BE DEEMED TO HAVE REPRESENTED, WARRANTED AND AGREED THAT IT IS NOT, AND FOR SO LONG AS IT HOLDS A REG S NOTE WILL NOT BE, SUCH AN EMPLOYEE BENEFIT PLAN, PLAN OR PERSON. FOR FURTHER INFORMATION, SEE "ERISA CONSIDERATIONS" AT PAGE 185.

AVAILABLE INFORMATION

The Issuer has agreed that, for so long as any of the Notes are restricted securities within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is not subject to and in compliance with the reporting requirements of Section 13 or 15(d) of the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available upon request to any holder or beneficial owner of such restricted securities or to any prospective purchaser designated by such holder or beneficial owner of such restricted securities in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such restricted securities or any interest therein the information required to be delivered under Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF JUDGMENTS

The Issuer is a company incorporated with limited liability in England and Wales. All of the directors of the Issuer currently reside in England and Wales. As a result, it may not be possible to effect service of process within the United States upon such persons to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of the federal or state securities laws of the United States. There is doubt as to the enforceability in England and Wales, in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated solely upon such securities laws.

NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE STATE OF NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA CHAPTER 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

OFFEREE ACKNOWLEDGMENTS

Each person receiving this Prospectus, by acceptance hereof, hereby acknowledges that:

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

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

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

FORWARD-LOOKING STATEMENTS

Certain matters contained herein are forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements appear in a number of places in this Prospectus, including with respect to assumptions on prepayment and certain other characteristics of the Loans (as defined below), and reflect significant assumptions and subjective judgments by the Issuer that may or may not prove to be correct. Such statements may be identified by reference to a future period or periods and the use of forward-looking terminology such as "may", "will", "could", "believes", "expects", "anticipates", "continues", "intends", "plans" or similar terms. Consequently, future results may differ from the Issuer's expectations due to a variety of factors, including (but not limited to) the economic environment and changes in governmental regulations, fiscal policy, planning or tax laws in the United Kingdom ("**UK**"). Moreover, past financial performance should not be considered a reliable indicator of future performance and prospective purchasers of the Notes are cautioned that any such statements are not guarantees of performance and involve risks and uncertainties, many of which are beyond the control of the Issuer. None of the Managers have attempted to verify any such statements, nor do they make any representation, express or implied, with respect thereto.

*All references in this document to "**sterling**" or "**pounds**" or "**pounds sterling**" or "**£**" are to the lawful currency for the time being of the United Kingdom of Great Britain and Northern Ireland and references to "**dollars**" or "**$**" or "**U.S.$**" or "**U.S. dollars**" are to the lawful currency for the time being of the United States of America.*

In connection with this issue, Morgan Stanley & Co. International Limited or any person acting for it may over-allot Notes (provided that, in the case of Notes to be admitted to trading on a Regulated Market, the

aggregate principal amount of Notes allotted does not exceed 105 per cent. of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that Morgan Stanley & Co. International Limited or any of its agents will undertake stabilisation action to do this. Any stabilisation action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the Notes is made and, if begun, may be ended at any time, but must be ended no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes.

TABLE OF CONTENTS

Page

SUMMARY 7
CASHFLOWS 26
RISK FACTORS 35
THE ISSUER 55
THE PARTIES 57
THE BORROWERS 61
THE LOANS AND THE RELATED SECURITY 64
THE LOAN DOCUMENTATION 68
THE LOAN SALE AGREEMENTS 79
THE STRUCTURE OF THE ACCOUNTS 83
THE LOAN POOL OVERVIEW 86
LOAN AND RELATED PROPERTY SUMMARIES 91
SERVICING 122
CASH MANAGEMENT 131
CREDIT STRUCTURE 134
ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS 142
DESCRIPTION OF THE NOTES 143
TERMS AND CONDITIONS OF THE NOTES 148
USE OF NET PROCEEDS 174
UNITED KINGDOM TAXATION 175
UNITED STATES FEDERAL INCOME TAXATION 177
ERISA CONSIDERATIONS 185
SUBSCRIPTION AND SALE 187
TRANSFER RESTRICTIONS 190
CD-ROM DISCLAIMER 194
GENERAL INFORMATION 195
APPENDIX 1 PART A: THE FIRST PRINCIPAL BORROWER 197
APPENDIX 1 PART B: THE SECOND PRINCIPAL BORROWER 198
APPENDIX 2 INDEX OF PRINCIPAL DEFINED TERMS 199

SUMMARY

The following information is a summary of the principal features of the issue of the Notes. This summary should be read in conjunction with, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this document and any decision to invest in the Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area no civil liability will attach to the Issuer in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated. Certain terms used in this summary are defined elsewhere in this document. A list of the pages on which these terms are defined is found in the "Index of Principal Defined Terms" at Appendix 2 on page 199.

Transaction Overview

The Issuer will issue the Notes on the Closing Date and will apply the proceeds of such issuance to acquire from Morgan Stanley Bank International Limited (the "**MS Loan Originator**") its right, title, benefit and interest in seven commercial mortgage loans (the "**MS Loans**") and to acquire from Hypo Real Estate Bank International ("**HRE Bank**" and, in this capacity, the "**HRE Loan Originator**" and, together with the MS Loan Originator, the "**Originators**") its right, title, benefit and interest in one commercial mortgage loan (the "**Lloyds Building Loan**" and, together with the MS Loans, the "**Loans**"). Together with the Loans, the Issuer will acquire each Originator's respective interests as beneficiary of security trusts created over the security granted in respect of the Loans.

The Loans each comprise a fully drawn term loan and (save in relation to the St. Enoch Loan) the relevant Originator was, on origination, the sole Lender. The St. Enoch Loan was originated by the MS Loan Originator and Deutsche Bank AG London Branch ("**Deutsche Bank**") jointly, each lender participating in that Loan in equal shares. In relation to a further four of the MS Loans (as distinct from the participation in the St. Enoch Loan) the Loan that is to be sold to the Issuer is the senior portion (each a "**Senior Tranche**") of a commercial mortgage loan (each a "**Tranched Loan**") to the relevant Borrower. Except where stated otherwise, in respect of the Tranched Loans, the information in this Prospectus relates to the relevant Senior Tranches only and, references to the "Loans" includes the Senior Tranches of the Tranched Loans only. Information relating to the intercreditor arrangements between the senior and junior lenders of the Tranched Loans and the arrangements between the MS Originator and Deutsche Bank in relation to the St. Enoch Loan is set out at "The Loans – Intercreditor Arrangements: Tranched Loans and St. Enoch Loan" at page 76.

The Loans together constitute the "**Loan Pool**". The Loans have each been made to different borrowers (each, a "**Borrower**") and together, as at 30th June, 2005 (the "**Cut-Off Date**"), had an outstanding aggregate principal balance of £347,820,543 (the "**Aggregate Cut-Off Date Balance**"). Since the Cut-Off Date, the aggregate principal amount of the Loans has, as a result of amortisation, reduced by £62,480 to £347,758,063.

Each Loan is governed by English law, is denominated in sterling and was made to one or more borrowers for commercial purposes. Each Loan is secured by, among other things, a first-ranking legal mortgage or, in the case of the St. Enoch Loan, first-ranking standard security (each mortgage or standard security, a "**Mortgage**") over a property or properties situated in England or, in the case of the St. Enoch Loan, a property situated in Scotland (each such property, a "**Property**").

The payment of interest and repayment of principal on the Loans by the Borrowers under the Credit Agreements will provide the primary source of funds for the Issuer to make payments of interest and principal under the Notes. However, payments made by the Borrowers under the Loans may, under certain circumstances, be delayed. Such delays could adversely impact the Issuer's ability to make timely payments of amounts due to the Noteholders. In order to enable the Issuer to continue to make timely payments of interest (but not principal) on the Notes should such delays occur, the Issuer will enter into a liquidity facility agreement (the "**Liquidity Facility Agreement**") with Calyon S.A. (London Branch) (the "**Liquidity Facility Provider**").

The interest payable by the Borrowers under all of the MS Loans is calculated by reference to a fixed rate whereas the interest payments payable by the Issuer on the Notes are calculated by reference to a floating rate. In order to provide the Issuer with protection against any difference or shortfall that might arise as a result of such interest rate differences, the Issuer will enter into a series of interest rate swap transactions (the "**Interest Rate Swap Transactions**") with Morgan Stanley Capital Services, Inc. (the "**Issuer Swap Provider**") in respect of each MS Loan. Under each Interest Rate Swap Transaction, the Issuer will be required to make payments to the Issuer Swap Provider calculated by reference to a fixed rate of interest and the Issuer Swap Provider will be required to make payments to the Issuer calculated by reference to three-month LIBOR. The interest payable by the Borrower under the Lloyds Building Loan is calculated by reference to a floating rate. However, the interest periods under the Lloyds Building Loan do not coincide with the Interest Periods under the Notes. In order to provide the Issuer with protection against any difference or shortfall that might arise as a result of the different basis on which such rates of interest will be determined, the Issuer will enter into a basis rate swap transaction (the "**Basis Swap Transaction**" and, together with the Interest Rate Swap Transactions, the "**Issuer Swap Transactions**") with the Issuer Swap Provider in respect of the Lloyds Building Loan. Under the Basis Swap Transaction on each Interest Payment Date the Issuer will be required to make payments to the Issuer Swap Provider determined by reference to the interest periods under the Lloyds Building Loan and the Issuer Swap Provider will be required to make payments to the Issuer determined by reference to three-month LIBOR for the Interest Period ending on such Interest Payment Date.

All of the obligations of the Issuer Swap Provider under the Issuer Swap Transactions will be guaranteed by Morgan Stanley (the "**Issuer Swap Guarantor**").

The Issuer will grant fixed and floating security over all of its assets in order to secure its obligations to the Noteholders in respect of the Notes and to certain other creditors of the Issuer who have agreed to provide services to the Issuer in connection with the proposed transaction (who, together with the Noteholders comprise the "**Secured Parties**").

There is no intention to accumulate any surplus funds in the Issuer as security for any future payments of interest on and repayments of principal of the Notes.

The Parties

The Issuer	European Prime Real Estate No. 1 plc.
	The Issuer is a public company incorporated in England and Wales with limited liability. The Issuer is a special purpose vehicle and was incorporated for the purpose of issuing asset-backed securities. The principal objects of the Issuer are restricted to investing in mortgage loans secured on commercial or other properties in the United Kingdom, managing and administering mortgage loan portfolios, borrowing, raising and securing the payment of money including by the creation and issue of bonds, debentures, notes or other securities charged on the whole or any part of the Issuer's property or assets.
	For further information about the Issuer, see "The Issuer" at page 55.
MS Loan Originator	Morgan Stanley Bank International Limited.
	The MS Loan Originator will, pursuant to a loan sale agreement to be entered into on the Closing Date between the Issuer, the MS Loan Originator, the Note Trustee and the Issuer Security Trustee (the "**MS Loan Sale Agreement**"), agree to sell the MS Loans to the Issuer together with the MS Loan Originator's beneficial interests in the security trusts created over the security granted for their repayment. Completion of such sale will take place on the Closing Date.
	For further information about the MS Loan Originator, see "The Parties – Morgan Stanley Bank International Limited" at page 57.
HRE Loan Originator	Hypo Real Estate Bank International.
	The HRE Loan Originator will, pursuant to a loan sale agreement to be entered into on the Closing Date between the Issuer, the HRE Loan Originator, the Note Trustee and the Issuer Security Trustee (the "**HRE Loan Sale Agreement**"), agree to sell the Lloyds Building Loan to the Issuer together with its beneficial interests in the security trust created over the security granted for its repayment. Completion of such sale will take place on the Closing Date.
	For further information about the HRE Loan Originator, see "The Parties – Hypo Real Estate Bank International" at page 57.
The MS Loan Security Trustee	Morgan Stanley Mortgage Servicing Limited ("**MSMS**" and, in such capacity, the "**MS Loan Security Trustee**").
	The MS Loan Security Trustee holds all the security granted by each Borrower in respect of each MS Loan (other than the St. Enoch Loan in relation to which see the following paragraph) (the "**MS Loan Related Security**") on trust (each such trust being a "**MS Loan Security Trust**"). Prior to the purchase of a MS Loan by the Issuer, the Related Security for that Loan is held on trust by the MS Loan Security Trustee for the benefit of the MS Loan Originator and, in relation to the MS Loans that are Tranched Loans, the junior lender in relation to the junior tranche of the relevant Loan. Following the sale of a MS Loan to the Issuer, the Related Security for that Loan will be held on trust by the MS Loan Security Trustee for the benefit

	of the Issuer and, in relation to the MS Loans that are Tranched Loans, the lender of the junior tranche. Deutsche Bank (in such capacity, the "**St. Enoch Loan Security Trustee**") holds all the security granted by the Borrower in respect of the St. Enoch Loan (the "**St. Enoch Loan Related Security**") on trust (such trust being the "**St. Enoch Loan Security Trust**"). Prior to the purchase of the St. Enoch Loan by the Issuer, the St. Enoch Loan Related Security is held on trust by the St. Enoch Loan Security Trustee for the benefit of the MS Loan Originator and Deutsche Bank. Following the sale of the St. Enoch Loan to the Issuer, the St. Enoch Loan Related Security will be held on trust by the St. Enoch Loan Security Trustee for the benefit of the Issuer and Deutsche Bank. For further information about the MS Loan Security Trustee, see "The Parties – Master Servicer, Master Special Servicer and MS Loan Security Trustee" at page 58.
The HRE Loan Security Trustee	Hypo Real Estate Bank International (in such capacity, the "**HRE Loan Security Trustee**" and, together with the MS Loan Security Trustee and the St. Enoch Loan Security Trustee, the "**Loan Security Trustees**"). The HRE Loan Security Trustee holds all the security granted by the Borrower in respect of the Lloyds Building Loan (the "**HRE Loan Related Security**" and, together with the MS Loan Related Security and the St. Enoch Loan Related Security, the "**Related Security**") on trust (such trust being the "**HRE Loan Security Trust**" and, together with the MS Loan Security Trust and the St. Enoch Loan Security Trust, the "**Security Trusts**"). Prior to the purchase of the Lloyds Building Loan by the Issuer, the HRE Loan Related Security is held on trust by the HRE Loan Security Trustee for the benefit of the HRE Loan Originator. Following the sale of the Lloyds Building Loan to the Issuer, the HRE Loan Related Security will be held on trust by the HRE Loan Security Trustee for the benefit of the Issuer. For further information about the HRE Loan Security Trustee, see "The Parties – HRE Loan Sub-Servicer, HRE Loan Sub-Special Servicer and HRE Loan Security Trustee" at page 58.
The Note Trustee	Capita Trust Company Limited (in such capacity, the "**Note Trustee**"). The Note Trustee will act as trustee for the holders of the Notes pursuant to a trust deed (the "**Trust Deed**") between the Note Trustee and the Issuer. For further information about the Note Trustee and the terms of the Trust Deed, see "The Parties – Note Trustee" at page 57.
The Issuer Security Trustee	Capita Trust Company Limited (in such capacity, the "**Issuer Security Trustee**"). The Issuer Security Trustee will, pursuant to the Deed of Charge and Assignment, act as trustee of the Issuer Security for the Secured Parties. For further information about the Issuer Security Trustee, see "The Parties – Issuer Security Trustee" at page 58. For further information

about the Issuer Security, see "Credit Structure – Post-Enforcement Priority of Payments" at page 135.

The Master Servicer and Master Special Servicer ..... Morgan Stanley Mortgage Servicing Limited.

MSMS will act as master servicer (in such capacity, the "**Master Servicer**") and the initial Master Special Servicer (in such capacity, the "**Master Special Servicer**") of the Loans and their Related Security pursuant to a servicing agreement (the "**Master Servicing Agreement**") between the Master Servicer, the Master Special Servicer, the Issuer, the Issuer Security Trustee, the MS Loan Security Trustee and the HRE Loan Security Trustee.

For more information about the Master Servicer and Master Special Servicer see "The Parties – Master Servicer, Master Special Servicer and MS Loan Security Trustee" at page 58. For further information about the Master Servicing Agreement, see "Servicing" at page 122.

The HRE Loan Sub-Servicer and HRE Loan Sub-Special Servicer ..... Hypo Real Estate Bank International.

Pursuant to a sub-servicing agreement (the "**HRE Loan Sub-Servicing Agreement**") between the Master Servicer, the Master Special Servicer and HRE Bank, the Master Servicer will delegate its duties as servicer of the Lloyds Building Loan to HRE Bank (in such capacity, the "**HRE Loan Sub-Servicer**") and the Master Special Servicer will delegate its duties as special servicer of the Lloyds Building Loan to HRE Bank (in such capacity, the "**HRE Loan Sub-Special Servicer**").

For more information about the HRE Loan Sub-Servicer and HRE Sub-Special Servicer, see "The Parties – HRE Loan Sub-Servicer, HRE Loan Sub-Special Servicer and HRE Loan Security Trustee" at page 58. For further information about the HRE Loan Sub-Servicing Agreement, see "Servicing" at page 122.

The Issuer Swap Provider and the Issuer Swap Agreement ..... Morgan Stanley Capital Services Inc. (the "**Issuer Swap Provider**").

The Issuer Swap Provider will enter into a swap agreement in the form of an International Swaps and Derivatives Association Inc. ("**ISDA**") 1992 Master Agreement (Multicurrency-Cross Border) (the "**Issuer Swap Agreement**") with the Issuer. The Issuer and the Issuer Swap Provider will enter into swap confirmations evidencing the terms of the Interest Rate Swap Transactions and the Basis Swap Transaction.

Either party to the Issuer Swap Agreement may require that its obligations and those of its counterparty in respect of the relevant Issuer Swap Transactions terminate proportionally in the event that any of the Loans are prepaid (whether voluntarily or as the result of their enforcement) or are repurchased by the relevant Originator or purchased by the Master Servicer. Upon such termination, either party to the relevant Issuer Swap Transaction may, depending on the circumstances then prevailing, be required to make a termination payment to its counterparty other than in relation to the Basis Swap Transaction, in respect of which no early termination amount will be due and payable by either party to the other on an early termination.

	If the termination of an Issuer Swap Transaction is due to the prepayment of a Loan, the Issuer will not be obliged to make a termination payment to the Issuer Swap Provider, although the Issuer Swap Provider may, depending on the circumstances, be obliged to make a termination payment to the Issuer which will constitute Swap Breakage Receipts. If the termination of an Issuer Swap Transaction is due to the repurchase of a Loan by an Originator or its purchase by the Master Servicer and the Issuer is, as a result of such repurchase or purchase, required to make a termination payment to the Issuer Swap Provider, the relevant Originator or the Master Servicer, as the case may be, will be required to pay an equivalent amount to the Issuer. For further information about the Issuer Swap Provider see "The Parties – Issuer Swap Provider" at page 58. For further information about the Issuer Swap Agreement and the Issuer Swap Transactions see "Credit Structure – The Issuer Swap Agreement" at page 139.
Issuer Swap Guarantor.....	Morgan Stanley (the "**Issuer Swap Guarantor**") will, pursuant to and subject to the terms of a guarantee in favour of the Issuer (the "**Issuer Swap Guarantee**"), guarantee all of the Issuer Swap Provider's obligations under the Issuer Swap Agreement and the Issuer Swap Transactions. The Issuer Swap Guarantee will be governed by New York law. For further information about the Issuer Swap Guarantor, see "The Parties – Issuer Swap Guarantor" at page 58. For further information about the Issuer Swap Guarantee, see "Credit Structure – The Issuer Swap Guarantee" at page 140.
The Liquidity Facility Provider and Liquidity Facility Agreement.....	Calyon S.A. acting through its London branch located at Broadwalk House, 5 Appold Street, London EC2A 2DA, will act as the Liquidity Facility Provider under the Liquidity Facility Agreement. The credit facility available under the Liquidity Facility Agreement will have an initial maximum aggregate principal amount of £18,500,000 such amount being subject to reduction in certain specified circumstances. Subject to certain limitations, the Issuer will be entitled to make drawings under the Liquidity Facility Agreement from time to time to cover shortfalls in the amount of interest received from Borrowers in respect of any Loans ("**Interest Drawings**") as well as shortfalls in the amounts required to pay interest that has accrued on outstanding drawings under the Liquidity Facility Agreement ("**Accrued Interest Drawings**"). The Issuer will also be entitled to make drawings to fund shortfalls in amounts available to pay certain Revenue Priority Amounts ("**Expenses Drawings**"). For further information about the Liquidity Facility Provider, see "The Parties – Liquidity Facility Provider" at page 59. For further information about the Liquidity Facility Agreement, see "Credit Structure – Liquidity Facility" at page 136.
The Corporate Services Provider.....	Capita Trust Corporate Limited will act as corporate services provider to the Issuer (the "**Corporate Services Provider**") pursuant to a corporate services agreement between the Corporate Services Provider, the Issuer and the Issuer Security Trustee (the "**Corporate Services Agreement**").

	For further information about the Corporate Services Provider see "The Parties – Corporate Services Provider and Share Trustee" at page 59.
The Cash Manager and Reporting Agent	Wells Fargo Securitisation Services Limited will act as cash manager (in such capacity the "**Cash Manager**") and as reporting agent (the "**Reporting Agent**") pursuant to a cash management agreement (the "**Cash Management Agreement**") between the Issuer, the Cash Manager, the Issuer Security Trustee, the Reporting Agent and the Operating Bank. For further information about the Cash Manager and the Reporting Agent, see "The Parties – Cash Manager and Reporting Agent" at page 59.
The Principal Paying Agent, Operating Bank, Agent Bank and Exchange Agent.....	The Bank of New York, London Branch will act as principal paying agent and agent bank (in such capacities, the "**Principal Paying Agent**" and the "**Agent Bank**" respectively) pursuant to an agency agreement (the "**Agency Agreement**") between, among others, the Issuer and The Bank of New York (in its various capacities); as exchange agent (in such capacity, the "**Exchange Agent**") pursuant to an exchange rate agency agreement (the "**Exchange Rate Agency Agreement**") between the Issuer, the Exchange Agent, the Note Trustee and the Issuer Security Trustee; and as operating bank (the "**Operating Bank**") pursuant to the Cash Management Agreement. The Issuer Accounts (other than the Stand-by Account) will be maintained with the Operating Bank, including the Transaction Account, which will be used to receive, among other things, payments of interest and repayments of principal made on the Loans. The Exchange Rate Agency Agreement will be governed by New York law. For further information about the Principal Paying Agent, the Agent Bank, the Exchange Agent and the Operating Bank, see "The Parties – Principal Paying Agent, Agent Bank, Exchange Agent and the Operating Bank" at page 59, and for further information about the Issuer Accounts, see "The Structure of the Accounts – The Issuer Accounts" at page 84.
The Registrar.....	The Bank of New York (acting out of New York) will act as registrar (in such capacity, the "**Registrar**") pursuant to the Agency Agreement. For further information about the Registrar, see "**Registrar**" at page 59.
The Sub-Paying Agent	AIB/BNY Fund Management (Ireland) Ltd. will act as sub-paying agent (in such capacity, the "**Sub-Paying Agent**") pursuant to the Agency Agreement. The Sub-Paying Agent together with the Principal Paying Agent and any other paying agents that may be appointed pursuant to the Agency Agreement are together referred to as the "**Paying Agents**". For further information about the Sub-Paying Agent, see "The Parties – Sub-Paying Agent" at page 59.

The Share Trustee	Capita Trust Corporate Limited (in such capacity, the "**Share Trustee**") will hold the entire issued share capital of the PECO Holder pursuant to a declaration of charitable trust (the "**Share Declaration of Trust**") and will provide certain services as trustee of that trust (the "**Share Trust**"). For further information about the Share Trustee, see "The Parties – Corporate Services Provider and Share Trustee" at page 59.
The Nominee Trustee	Capita Trust Nominees No. 1 Limited (in such capacity, the "**Nominee Trustee**") will pursuant to a declaration of trust in favour of the PECO Holder (the "**Nominee Declaration of Trust**"), hold a share in the Issuer as nominee for the PECO Holder. For further information about the Nominee Trustee, see "The Parties – the Nominee Trustee" at page 60.
PECO Holder	EPRE 1 PECO Holder Limited (the "**PECO Holder**") shall hold the entire issued share capital of the Issuer except for the share held by the Nominee Trustee. For further information about the PECO Holder and the Post-Enforcement Call Option, see "The Parties – PECO Holder" and Condition 10(*b*) on pages 60 and 167, respectively.
	The Loans and the Properties
The Loan Pool	There are eight Loans in the Loan Pool which had an Aggregate Cut-Off Date Balance of approximately £347,820,543, an average balance of £43,477,568 and a weighted average term to maturity of 6.2 years. The Loans are secured by, among other things, first ranking legal mortgages over 18 Properties located in England and a first ranking standard security over one Property located in Scotland. For further information regarding the Loans, the Borrowers and the Properties see "The Loan Pool Overview" at page 86.
Lending Criteria	The lending criteria applied by the Originators at the time of the origination of the Loans are described in "The Loans and the Related Security – Lending Criteria" at page 64.
Valuations	On the basis of the valuations of the Properties undertaken in connection with the origination of the Loans (the "**Origination Valuations**"), the weighted average loan-to-value ratio ("**LTV Ratio**") of the Loan Pool as at the Cut-Off Date was 64.4 per cent.,[1] the aggregate Origination Valuations of the Properties being £539,970,000[2]. Unless the Master Servicer or Master Special Servicer is required by the Master Servicing Agreement to undertake further valuations (for example, because the Servicing Standard requires it to do so), it is not envisaged that further independent valuations of the Properties will be undertaken and nor will the Origination Valuations be updated prior to the sale of the Loans to the Issuer. For further information about the valuations of the Properties, see "The Loan Pool Overview" at page 86. Further information about

[1] For the purposes of the LTV ratio, a further advance of £1,310,000 on the Halton Lea Shopping Centre Loan was subtracted from the Cut-Off Date Loan Balance and the junior tranches of the Tranched Loans were disregarded.

[2] For these purposes, 50% of the Origination Valuation of the St. Enoch Loan was included.

	the valuations, or summaries of the valuations, of the Properties is also contained, in electronic form, on the CD-ROM circulated contemporaneously with this Prospectus. For further information about the CD-ROM, see "CD-ROM Disclaimer" at page 194.
The Loan Security	All of the Loans are secured by one or more Mortgages. Certain of the Borrowers have also executed debentures creating fixed and floating charges over all of their other assets in favour of the relevant Loan Security Trustee as security for the Borrower's obligations under the relevant Loan and other liabilities owing from time to time to the lender (each, a "**Debenture**" and together, the "**Debentures**"), and in relation to the St. Enoch Loan the relevant Borrower has in addition executed as further security an assignation of the rental income from the relevant Property (the "**Assignation of Rents**"). In some circumstances, the Borrower and the person providing security for the repayment of that Borrower's Loan (the "**Mortgagor**") are the same legal entity. In other cases, the Borrower and the Mortgagor are not the same legal entity but the Mortgagor is the owner of the relevant property or Properties and an affiliate of the Borrower or a nominee holding the Property on trust for the Borrower. For further information about the loan security, see "The Loans and the Related Security" at page 64.
Further Advances	The Issuer is not required to make any further advance to any Borrower under the terms of any of the Credit Agreements and neither the Master Servicer or Master Special Servicer will be permitted to agree to an amendment of the terms of a Credit Agreement that would require the Issuer to make a further advance to any Borrower unless the Issuer Security Trustee grants its prior written consent.
Insurance	The terms of each Loan (other than the Environment Agency Building Loan) require the Property or Properties securing it to be covered by a buildings insurance policy. The Master Servicer (or, in the case of the St. Enoch Loan, the St. Enoch Facility Agent) will monitor compliance by the Borrowers with their insurance obligations and arrange such insurance where it is found to have lapsed. For further information relating to the insurance arrangements in respect of the Properties and the risks in relation thereto, see "Risk Factors – Factors Relating to the Loans – Insurance" at page 39, "The Loans – Loan Terms – Insurance" at page 72 and "Servicing – Insurance" at page 125.
	Sale of the Loan Pool
Representations and Warranties	Each of the Loan Sale Agreements contains certain representations and warranties given by the relevant Originator in respect of the Loan or Loans and the Related Security to be sold by it to the Issuer which are summarised in "The Loan Sale Agreements - Representations and Warranties" at page 79. Neither of the Originators will give any representations and warranties in respect of the Loan or Loans (or their Related Security) originated by the other Originator. If there is a material breach of any warranty by an Originator with respect to any Loan or its Related Security, which breach is not capable of remedy or, if capable of remedy, has not been remedied within the

	time specified in the relevant Loan Sale Agreement, the Issuer Security Trustee may require the relevant Originator, under the terms of the relevant Loan Sale Agreement, to repurchase the relevant Loan together with the beneficial interest in the related Security Trust. The consideration for such repurchase will be the principal amount that was paid by the Issuer as the purchase price for the relevant Loan on the Closing Date together with an amount in respect of accrued and unpaid interest and any costs and expenses incurred by the Issuer directly as a result of such repurchase (including, without limitation any termination payments payable by the Issuer under the Issuer Swap Agreement), less any Issuer Principal Receipts received by the Issuer in respect of that Loan since the Closing Date. Any such repurchase would result in redemption of the Notes in accordance with Condition 5(*b*) at page 156. The Issuer will have no recourse to either Originator in respect of a breach of such representations and warranties, other than through the exercise of its repurchase option. In the event that an Originator fails to comply with any obligation to repurchase a Loan pursuant to the relevant Loan Sale Agreement, the Issuer would have no recourse to the other Originator in respect of such failure.
Deferred Consideration	On each Interest Payment Date the Issuer will pay the following amounts to each Originator pursuant to the Loan Sale Agreements by way of deferred consideration: (i) Prepayment Fees received by the Issuer in respect of the Loan or Loans originated by that Originator; (ii) Swap Breakage Receipts (to the extent they do not constitute Available Interest Receipts) received by the Issuer in respect of the Loan or Loans originated by that Originator; (iii) the relevant proportion of the Class X Amount payable on each Interest Payment Date; and (iv) the relevant proportion of the surplus Available Interest Receipts on such Interest Payment Date.
Class X Amount.....	The "**Class X Amount**" shall be payable on each Interest Payment Date and shall be an amount equal to the sum of (A) the product of: (i) the aggregate outstanding principal balance of the Loans as of the beginning of the applicable Interest Period (after taking into account any write-offs of principal following completion of Enforcement Procedures in respect of any Loans by the Master Special Servicer during the Collection Period immediately preceding such Interest Period); (ii) the Class X Weighted Average Strip Rate and (iii) the fraction obtained by dividing (x) by the number of days in the relevant Interest Period by (y) 365; and (B) in the case of the First Interest Payment Date, an amount equal to the aggregate amount of interest that accrued on each of the Loans during the period from and including the Loan Payment Date for the relevant Loan that fell immediately prior to the Closing Date, to but excluding the Closing Date. The "**Class X Weighted Average Strip Rate**" with respect to any Interest Payment Date will be a per annum rate equal to the excess, if any, of (x) the Weighted Average Net Mortgage Rate for such Interest Period over (y) the sum of (i) the weighted average of the interest rates of all of the Notes (weighted on the basis of the respective Principal Amount Outstanding of such Notes immediately prior to the related Interest Payment Date) and (ii) the Administrative Cost Rate. The "**Weighted Average Net Mortgage Rate**" with respect to any Interest Payment Date will be equal to the weighted average of the Net Mortgage Rates for the Loans weighted on the basis of their

respective principal balances as of the beginning of the applicable Interest Period (after taking into account any write-offs of principal following completion of Enforcement Procedures in respect of any Loans by the Master Special Servicer during the Collection Period immediately preceding such Interest Period) and, in the case of the first Interest Payment Date, the Closing Date.

The "**Net Mortgage Rate**" for any Loan, with respect to any Interest Payment Date, will be equal to the related per annum floating interest rate attributable to such Loan (in the case of the MS Loans after giving effect to the related Interest Rate Swap Transaction and, in the case of the Lloyds Building Loan, applying, for these purposes, the LIBOR rate applicable to payments due from the Issuer Swap Provider under the Basis Swap Transaction in place of the LIBOR rate applicable to payments under the Lloyds Building Loan).

The "**Administrative Cost Rate**" is equal to a variable rate, which, as of any Interest Payment Date, is the percentage equal to the product of (a) the fraction obtained by dividing: (i) 365 by (ii) the actual number of days in the relevant Interest Period and (b) the Administrative Cost Factor. The Administrative Cost Rate represents as of any date of calculation, the per annum rate at which Administrative Fees for any Interest Period accrue against the outstanding principal balance of the Loans.

The "**Administrative Cost Factor**" is, as of any Interest Payment Date, equal to the percentage obtained by dividing: (i) the Administrative Fees for such Interest Payment Date by (ii) the outstanding principal balance of the Loans immediately after the second preceding Loan Payment Date for such Interest Payment Date.

The "**Administrative Fees**" for each Interest Payment Date will be the sum of all ordinary, recurring fees payable by the Issuer to the service providers plus VAT, if applicable, related to such Interest Payment Date plus the relevant Issuer Profit Amount. The amount of Administrative Fees payable on any Interest Payment Date will vary to the extent that some are payable on an annual basis while others are payable on a quarterly basis. If any current service provider is replaced by a successor service provider and such successor's fees are in excess of the prior service provider's fees, the Administrative Fees will be increased to reflect such change. Administrative Fees for the purposes of calculating the Class X Amount do not include any fees or expenses payable by the Issuer to any entity that are unusual or extraordinary in nature including the repayment of Liquidity Drawings and interest thereon.

Class X Certificates ..... The rights of the Originators to receive their respective proportion of the Class X Amounts, Prepayment Fees received by the Issuer in respect of the Loan or Loans they originated and their respective proportion of any surplus Available Interest Receipts in each case by way of deferred consideration pursuant to the relevant Loan Sale Agreement will be represented by certificates (the "**Class X Certificates**"). The rights under the Loan Sale Agreements represented by the Class X Certificates are capable of assignment and the holders of the Class X Certificates from time to time are referred to in this Prospectus as "**Class X Certificate Holders**".

The Class X Certificates are not debt securities issued by the Issuer or any other person and are not part of the offering of the Notes under this Prospectus.

The Notes

Status and Form..... The Notes will be issued on the Closing Date in an aggregate principal amount of £347,758,000 and will be constituted by the Trust Deed. The Rule 144A Notes will be issued in denominations of at least £250,000 and integral multiples of £100 thereafter. The Reg S Notes will be issued in denominations of at least £100,000 and integral multiples of £100 thereafter. The Notes of each class will rank *pari passu* without any preference or priority among themselves.

The Notes will share the benefit of the Issuer Security. However, in the event of the security granted in respect of the Notes being enforced the Class A Notes and the Class X Amounts will rank *pari passu*, and the Class A Notes and the Class X Amounts will rank higher in priority to the Class B Notes and the Class B Notes will rank higher in priority to the Class C Notes and the Class C Notes will rank higher in priority to the Class D Notes.

Each Note is being offered either outside the United States in reliance on Regulation S to non-U.S. Persons or within the United States or to U.S. Persons who are both in reliance on Rule 144A (or in the case of the initial sale from the Issuer to the Managers, in reliance on Section 4(2) of the Securities Act only to Qualified Institutional Buyers that are also Qualified Purchasers.

The Notes to be sold to non-U.S. Persons in offshore transactions in reliance on Regulation S (the "**Reg S Notes**") will initially be represented by one or more permanent global notes in fully registered form without interest coupons for each class of Notes (each, a "**Reg S Global Note**" and together, the "**Reg S Global Notes**"). "**U.S. Person**" is used herein as defined in Regulation S. The Notes to be sold within the United States or to a U.S. Person who are both Qualified Institutional Buyers and Qualified Purchasers (the "**Rule 144A Notes**") will initially be represented by one or more permanent global notes in fully registered form without interest coupons for each class of Notes (each a "**Rule 144A Global Note**" and together, the "**Rule 144A Global Notes**"). The Reg S Global Notes and the Rule 144A Global Notes are, together, referred to herein as the "**Global Notes**".

Each Rule 144A Global Note will be deposited with The Bank of New York as custodian (the "**Custodian**") for The Depository Trust Company ("**DTC**") and registered in the name of DTC or its nominee on the Closing Date. Each Reg S Global Note will be deposited with, and registered in the name of, or a nominee of The Bank of New York, London Branch as common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**" and, together with Euroclear and DTC, the "**Clearing Systems**") on the Closing Date.

Transfers of interests in the Global Notes are subject to certain additional restrictions. In particular, to enforce the restrictions on transfers of interests in any Notes issued in the form of a Global

	Note, the Trust Deed permits the Issuer to demand that the holder of any interest in a Rule 144A Global Note held by a U.S. person as defined in Regulation S who is determined not to have been both a Qualified Institutional Buyer and a Qualified Purchaser at the time of acquisition of such interest and any interest in a Reg S Global Note held by a U.S. Person at the time of acquisition of such interest if such acquisition occurred prior to the date that is 40 days after the later of the commencement of the offering of the Notes and the Closing Date (the "**Distribution Compliance Period**") in each case, sell such interest to a holder that is permitted under the Trust Deed and, if the holder does not comply with such demand within 30 days thereof, the Issuer may sell such holder's interest in such Notes. In addition, transferees of Global Notes will be deemed to have made certain representations relating to compliance with all applicable securities, ERISA and tax laws. In addition, there are restrictions on the distribution of this Prospectus and the offer, sale and delivery of the Notes in the United Kingdom. For further information about restrictions on transferring the Notes, see "Transfer Restrictions" at page 190. Except in limited circumstances, the Notes will not be available in definitive form (each such Note, a "**Definitive Note**"). For so long as the Notes are represented by the Global Notes such Notes will be transferable in accordance with the rules and procedures for the time being of DTC, Euroclear and Clearstream, Luxembourg. In performing its duties under the Trust Deed, the Note Trustee is required to have regard to the interests of the holders of the Class A Notes (the "**Class A Noteholders**"), the holders of the Class B Notes (the "**Class B Noteholders**"), the holders of the Class C Notes (the "**Class C Noteholders**") and the holders of the Class D Notes (the "**Class D Noteholders**" and, together with the Class A Noteholders, the Class B Noteholders and the Class C Noteholders, the "**Noteholders**"), save in certain limited circumstances where there is, in the Note Trustee's opinion, a conflict between the interests of the various classes of Noteholders, the Note Trustee will be required to have regard only to the interests of the holders of the most senior class of Notes then outstanding. The Trust Deed will contain provisions limiting the powers of the holders of a class or classes of Notes that rank junior in priority at the relevant time to the Notes of another class or classes, among other things, to pass any Extraordinary Resolution or to request or direct the Note Trustee to take any action which may affect the interests of the holders of a class or classes of Notes that rank senior in priority to that class or classes. For further information about the voting rights attaching to the Notes, see Condition 2(*A*)(*d*) and Condition 11 at page 151 and page 167, respectively.
Controlling Party	The Controlling Party will be the holders of the most junior class of Notes outstanding from time to time, which class has a total Principal Amount Outstanding that is not less than 25 per cent. of the original Principal Amount Outstanding of that class as at the Closing Date. However, if no class of Notes has a Principal Amount Outstanding that satisfies this requirement, then the Controlling Party will be the holders of the most junior class of Notes then outstanding that has a Principal Amount Outstanding that is greater than zero.

The Controlling Party will have certain rights, including:

(a) the right to appoint an Operating Adviser to advise the Master Special Servicer in connection with certain matters relating to the Loans and Related Security; and

(b) the right to require the termination of the appointment of a person as Master Special Servicer and the appointment of a replacement that is acceptable to the Controlling Party.

For further information about the Operating Adviser and the termination of the appointment of the Master Special Servicer, see Servicing on page 122.

Post-Enforcement Call Option ..... The proceeds of realisation of the Issuer Security may, after paying or providing for all prior-ranking claims, be less than the sums due to Noteholders or certain of the Noteholders. For further information about the Issuer Security, see "Security for the Notes" at page 24. If the Issuer Security Trustee determines, in its sole opinion and discretion, that (i) all amounts outstanding under the Notes have become due and payable and (ii) there is no reasonable likelihood of there being any further realisations (whether arising from the enforcement of the Issuer Security or otherwise) available to pay amounts outstanding under the Notes, the PECO Holder, pursuant to a post-enforcement call option agreement (the "**Post Enforcement Call Option Agreement**") dated on or about the Closing Date between the PECO Holder, the Issuer Security Trustee and the Note Trustee, will have the option (the "**Post Enforcement Call Option**") to purchase all the Notes then outstanding in consideration for the payment of £0.01 in respect of each Note. For further information about the Post Enforcement Call Option, see Condition 10(*b*) at page 167.

Interest..... Each Note will bear interest on its Principal Amount Outstanding from and including the Closing Date. Interest will be payable in respect of the Notes in pounds sterling quarterly in arrear on each Interest Payment Date. The first Interest Payment Date in respect of each class of Notes will be the Interest Payment Date falling in October, 2005.

The interest rate applicable to the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes from time to time will be determined by reference to the London Interbank Offered Rate ("**LIBOR**") for three-month sterling deposits plus the Relevant Margin. The "**Relevant Margin**" in respect of the Class A Notes, Class B Notes, Class C Notes and Class D Notes will be:

Class	**Relevant Margin**
A	0.24 per cent. per annum
B	0.32 per cent. per annum
C	0.55 per cent. per annum
D	0.85 per cent. per annum

Interest in respect of any of the Notes for any period will be calculated on the basis of actual days elapsed and a 365-day year.

Failure by the Issuer to pay interest on the most senior class of Notes (as defined in the Conditions at page 148) when due and payable will result in an Event of Default (as defined in the Conditions at page

148), which may, subject to the Conditions, result in the Issuer Security Trustee enforcing the Issuer Security. Failure by the Issuer to pay the Class X Amount to the Class X Certificate Holders on any Interest Payment Date will not result in an Event of Default or an enforcement of the Issuer Security. To the extent that funds available to the Issuer on any Interest Payment Date, after paying any interest then accrued due and payable on the most senior class of Notes, are insufficient to pay in full interest otherwise due on any one or more classes of more junior-ranking Notes then outstanding, this will not constitute an Event of Default and the shortfall in the amount then due will only be paid, if at all, in accordance with the order of seniority of the affected classes of Notes on that and each subsequent Interest Payment Date when permitted by subsequent cash flow which is available after the Issuer's other higher priority liabilities have been discharged.

Principal Amount Outstanding ..... Interest will accrue on the Principal Amount Outstanding of the Notes. The Principal Amount Outstanding of a Note on a particular day will be the principal amount of that Note on the Closing Date less the aggregate amount of any principal repaid by the Issuer on or prior to such day and less, for all purposes other than determining (i) the amount of interest accruing on that Note and (ii) the amount payable on a redemption of the Notes, the NAI Amount of such Note.

The amount of interest due and payable on a Note on an Interest Payment Date will be calculated on the Principal Amount Outstanding after deduction of any NAI Amount applicable to such Note on such Interest Payment Date. An amount equal to the difference between the amount of interest that has accrued on each Note and the amount of interest due and payable after application of an NAI Amount to such Note will be deferred and will become due and payable on, and shall continue to accrue interest until, the date on which such Note is redeemed in full.

NAI Amount..... The non-accruing (in cash terms) interest amount (the "**NAI Amount**") of a Note means, with respect to any Calculation Date, a *pro rata* share of the NAI Shortfall Amount applied to the relevant class of Notes in accordance with the following sentence. On the Interest Payment Date immediately following any Calculation Date on which an NAI Shortfall Amount has been determined, the Principal Amount Outstanding of the Notes will, for all purposes other than Condition 4(*a*), Condition 5(*a*), Condition 5(*c*) and Condition 9(*b*), be reduced by an amount equal to such NAI Shortfall Amount as applied to the classes of Notes in a reverse sequential order beginning with the most subordinate class of notes that has a Principal Amount Outstanding.

NAI Shortfall Amount ..... The non-accruing (in cash terms) interest shortfall amount (the "**NAI Shortfall Amount**") means, with respect to any Calculation Date, the excess of (x) the aggregate Principal Amount Outstanding of the Notes on the related Interest Payment Date (after application of any Principal Receipts, if any, to be applied on such Interest Payment Date) over (y) the aggregate amount of principal with respect to all Loans outstanding as determined by the Master Servicer or the Master Special Servicer (in the case of a Specially Serviced Loan) after taking into account all principal received on or before such Calculation Date.

	The NAI Shortfall Amount will represent the principal amount of the Loans written-off following completion of Enforcement Procedures in respect of such Loans.
Withholding Tax	All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, levies, duties, imposts, assessments or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law to make any payment in respect of the Notes subject to any such withholding or deduction. In such event, the Issuer or such Paying Agent will make such payment after the withholding or deduction has been made. Neither the Issuer nor any Paying Agent nor any other person will be obliged to pay additional amounts in respect of any such withholding or deduction. However, see "Redemption in Full" below and Condition 5(*c*) at page 159 for a description of the Issuer's right to redeem the Notes in case of certain tax events, including the imposition of withholding taxes.
Maturity Date	The Interest Payment Date falling in April 2014. Unless previously redeemed, the Notes will be redeemed at their Principal Amount Outstanding together with accrued interest on the Maturity Date.
Mandatory Redemption in Part	Unless an Enforcement Notice has been served, the Notes will be subject to mandatory redemption in part in the manner described in "Available Funds and their Priority of Application – Payments out of the Transaction Account prior to Enforcement – Available Principal" at page 31. For further information regarding the circumstances in which a mandatory redemption of the Notes will occur, see Condition 5(*b*) at page 156.
Redemption in Full	The Notes will be subject to mandatory redemption in full, but not in part, in the following circumstances: (a) if the Issuer satisfies the Note Trustee that (i) by virtue of a change in tax law from that in effect on the Closing Date, the Issuer will be obliged to make any withholding or deduction from payments in respect of the Notes and such requirement cannot be avoided by the Issuer taking reasonable measures available to it, or (ii) by virtue of a change in law from that in effect on the Closing Date, any amount payable by the Borrowers in relation to any of the Loans is reduced or ceases to be receivable (whether or not actually received); or (b) if a Swap Tax Event occurs under the Issuer Swap Agreement and (i) the Issuer cannot avoid such Swap Tax Event by taking reasonable measures available to it, (ii) the Issuer Swap Provider is unable to transfer its rights and obligations thereunder to another branch, office or affiliate to cure the Swap Tax Event, and (iii) the Issuer is unable to find a replacement Issuer Swap Provider (the Issuer being obliged to use reasonable efforts to find a replacement Issuer Swap Provider), provided further that, in either case, the Issuer has certified to the Note Trustee that either (i) it will have sufficient funds available to it on the relevant Interest Payment Date to discharge all of its liabilities in respect of the Notes and any amounts required, under the Deed of Charge and Assignment, to be paid in priority to, or *pari passu* with,

the Notes on such Interest Payment Date, all in accordance with "Available Funds and their Priority of Application – Payments out of the Transaction Account prior to Enforcement" at page 27, or (ii) it will have sufficient funds to discharge all of the amounts referred to in (i) above, other than sufficient funds in respect of the most junior class of Notes then outstanding, and that the Issuer has obtained the written consent of all the Noteholders of the most junior class of Notes then outstanding, to the redemption of such Notes at such lower amount. For further information, see Condition 5(*c*) and Condition 5(*d*) at page 159 and page 160, respectively.

In addition, the Notes will be redeemed in full if the Master Servicer exercises its option to purchase all the Loans at any time after the aggregate outstanding principal of the Loans becomes less than ten per cent. of the Aggregate Cut-Off Date Balance. For further information regarding the ability of the Master Servicer to purchase the Loans, see "Servicing - Ability to Purchase Loans and Related Security" at page 122.

Ratings..... The Notes are, upon issue, expected to be rated by the Rating Agencies as follows:

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

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by one or more of the assigning rating agencies. The ratings from the Rating Agencies only address the likelihood of timely receipt by any Noteholder of interest on the Notes and the likelihood of receipt by any Noteholder of principal of the Notes by the Maturity Date and do not address the likelihood of receipt by any Noteholder of principal prior to the Maturity Date. Furthermore, the ratings of the Notes only address the credit risks associated with the underlying transaction and do not address the non-credit risks which may have a significant effect on the receipt by Noteholders of interest and principal.

The ratings of the Notes are dependent upon, among other things, the short-term (and in the case of the Issuer Swap Guarantor, the long-term), unsecured, unsubordinated debt ratings of the Liquidity Facility Provider and the Issuer Swap Guarantor. Consequently, a qualification, downgrade or withdrawal of any such rating by a Rating Agency may have an adverse effect on the ratings of the Notes.

Listing..... Application has been made to the Irish Financial Services Regulatory Authority for the Notes to be admitted to the Official List of the Irish Stock Exchange.

There can be no assurance that any such listing will be obtained or, if obtained, will be maintained. In particular, should Directive 2002/34/EC (the "**Transparency Directive**") impose requirements

on the Issuer that it in good faith determines are unduly burdensome, the Issuer may de-list the Notes.

Settlement of Notes ..... DTC, Euroclear and Clearstream, Luxembourg.

Governing Law ..... The Notes and the Trust Deed will be governed by English law.

Tax Status ..... For information about the status of the Notes, see "United Kingdom Taxation" at page 175 and "United States Federal Income Taxation" at page 177.

ERISA Considerations ..... For information about the ERISA considerations relating to the Notes, see "ERISA Considerations" at page 185.

Security for the Notes

Secured Parties ..... The obligations of the Issuer to the Noteholders and to each of the Note Trustee, the Issuer Security Trustee, the Loan Security Trustees, the Corporate Services Provider, the Master Servicer, the Master Special Servicer, the Cash Manager, the Liquidity Facility Provider, the Issuer Swap Provider, the Paying Agents, the Agent Bank, the Registrar, the Operating Bank, the Reporting Agent, the Exchange Agent or any receiver appointed by or on behalf of the Issuer Security Trustee pursuant to the Deed of Charge and Assignment or by or on behalf of any Loan Security Trustee in respect of a Loan or its Related Security (all of such persons or entities being, collectively, the "**Secured Parties**") will be secured by and pursuant to the Deed of Charge and Assignment which is governed by English law (or Scots law in relation to the security interests created pursuant to item (iii) below) to be entered into on the Closing Date.

Issuer Security ..... The Issuer will create, among other things, the following security under the Deed of Charge and Assignment (the "**Issuer Security**"):

(i) an assignment by way of first fixed security over the Loans and the Issuer's rights under the relevant Credit Agreements;

(ii) an assignment by way of first fixed security over the Issuer's beneficial interests in the Security Trusts created over the Related Security;

(iii) an assignation by way of first fixed security over the Issuer's beneficial interests in the Security Trusts created over the Related Security governed by Scots law to the extent not otherwise assigned by way of first fixed security under paragraph (ii) above;

(iv) an assignment by way of first fixed security in respect of the Issuer's rights under, among other things, the MS Loan Sale Agreement, the HRE Loan Sale Agreement, the Master Servicing Agreement, the Liquidity Facility Agreement, the Issuer Swap Agreement (subject to netting and set-off provisions contained therein), the Issuer Swap Guarantee, the Cash Management Agreement, the Corporate Services Agreement, the Post-Enforcement Call Option Agreement, the Agency Agreement, the Exchange Rate Agency Agreement and the Master Definitions Schedule;

(v) an assignment by way of first fixed security of the Issuer's interests in the Transaction Account, the Swap Collateral

Cash Account, the Swap Collateral Custody Account, the Stand-by Account and any other bank account in which the Issuer may place and hold its cash resources, and of the funds from time to time standing to the credit of such accounts and any other Eligible Investments from time to time held by or on behalf of the Issuer; and

(vi) a first floating charge governed by English law over the whole of the undertaking and assets of the Issuer (other than any property or assets of the Issuer subject to an effective fixed security set out in paragraphs (i) to (v) above, but extending over all assets of the Issuer situated in Scotland or the rights to which are governed by Scots law).

Upon enforcement of the Issuer Security, the amounts payable to the Secured Parties (other than the Noteholders) will, with certain limited exceptions, rank higher in priority to payments of interest on, and repayments of principal of, the Notes.

Upon enforcement of the Issuer Security, the Class A Noteholders and the outstanding Class X Amounts shall rank *pari passu* and all amounts owing to the Class B Noteholders will rank after all payments on the Class A Notes and payment of the outstanding Class X Amounts, all amounts owing to the Class C Noteholders will rank after all payments on the Class B Notes and all amounts owing to the Class D Noteholders will rank after all payments on the Class C Notes.

The Issuer expects that, upon completion of the issue of the Notes, an appointment of an administrative receiver by the Issuer Security Trustee under the Deed of Charge and Assignment will not be prohibited by Section 72A of the Insolvency Act 1986 as the appointment would fall within the exception set out under Section 72B of the Insolvency Act 1986 (First exception: capital market).

CASHFLOWS

Available Funds and their Priority of Application

Source of Funds ..... The repayment of principal and payment of interest by the Borrowers in respect of the Loans will provide the principal source of funds for the Issuer to make repayments of principal and payments of interest in respect of the Notes.

Funds paid into the Transaction Account ..... Amounts standing to the credit of the Transaction Account from time to time are referable to, among other things, the following sources:

(a) "***Issuer Interest Receipts***", comprising: (i) all amounts allocated towards interest, fees (other than Prepayment Fees and Swap Breakage Receipts), costs, expenses, commissions and other sums paid by Borrowers in respect of the Loans or the Related Security (other than any payments in respect of principal), including recoveries in respect of such amounts on enforcement of a Loan, and/or its Related Security to cover such amounts ("**Borrower Interest Receipts**"); and (ii) all amounts (other than amounts allocated towards principal) received by the Issuer from the Master Servicer, or from an Originator in connection with the purchase of any Loan by the Master Servicer or repurchase of any Loan by an Originator in accordance with the Master Servicing Agreement or a Loan Sale Agreement, respectively;

(b) "***Amortisation Funds***", comprising all amounts allocated towards principal received in respect of the Loans and Related Security other than Prepayment Redemption Funds, Final Redemption Funds and Principal Recovery Funds;

(c) "***Prepayment Redemption Funds***", comprising all payments allocated towards principal received as a result of (i) any prepayment in part or in full of a Loan (including upon the receipt of insurance proceeds not applied in reinstating the relevant Property prior to the final maturity of the relevant Loan), (ii) the repurchase of a Loan by an Originator pursuant to a Loan Sale Agreement, or (iii) the purchase of a Loan by the Master Servicer pursuant to the Master Servicing Agreement;

(d) "***Final Redemption Funds***", comprising all amounts allocated towards principal received as a result of the repayment of a Loan upon its scheduled final maturity date;

(e) "***Principal Recovery Funds***", comprising all amounts allocated towards principal in respect of a Loan as a result of its enforcement;

(f) "***Prepayment Fees***", comprising all amounts allocated towards fees, costs and expenses (excluding all swap breakage costs) paid by a Borrower as a result of the prepayment in part or in full of a Loan, both prior to and following its enforcement; and

(g) "***Swap Breakage Receipts***", comprising all termination payments paid to the Issuer by the Issuer Swap Provider or

Issuer Swap Guarantor under the Issuer Swap Agreement or the Issuer Swap Guarantee as a result of the termination of any Issuer Swap Transaction prior to its scheduled termination date and all swap breakage costs paid by a Borrower as a result of the prepayment in part or in full of a Loan, both prior to and following its enforcement.

For the avoidance of doubt, Prepayment Fees and Swap Breakage Receipts (other than those of the types contemplated in (i), (ii) and (iii) of paragraph (c) of "Available Interest Receipts" at page 28) will not be included in the calculation of Issuer Interest Receipts at any time. Such amounts will, upon receipt in the Transaction Account, be payable directly by the Issuer to the Originator that originated the Loan in respect of which such Prepayment Fees and/or Swap Breakage Receipts were paid as deferred consideration payable under the relevant Loan Sale Agreement.

Payments out of the Swap Collateral Cash Account and the Swap Collateral Custody Account prior to Enforcement ..... The Cash Manager will arrange for payments to be made to the Issuer Swap Provider from time to time, of amounts equal to any relevant amounts of interest on the credit balance of the Swap Collateral Cash Account and/or amounts equivalent to distributions received on securities held in the Swap Collateral Custody Account as well as any other payments required to be made by the Issuer in accordance with the terms of the Issuer Swap Agreement Credit Support Document in priority to any other payment obligations of the Issuer.

Payments out of the Transaction Account prior to Enforcement

(a) ***Priority Amounts*** ..... The Cash Manager shall, prior to the service of an Enforcement Notice, arrange for the following payments to be made in priority to all other amounts required to be paid by the Issuer:

(i) out of Issuer Interest Receipts and, where Issuer Interest Receipts are insufficient, from the proceeds of Expenses Drawings, sums due to third parties (other than the Secured Parties), including the Issuer's liability, if any, to corporation tax and/or value added tax and other obligations incurred in the course of the Issuer's business. Such payments may be made on any Business Day other than an Interest Payment Date;

(ii) out of Issuer Interest Receipts, when due, any amount of interest payable by the Issuer to an Originator or the Master Servicer, under the circumstances described in the paragraph immediately following paragraph (iii) below, (such amounts, together with any amounts described in paragraph (i), being "**Revenue Priority Amounts**"); and

(iii) out of Issuer Principal Receipts, when due, any amount of principal payable by the Issuer to an Originator or to the Master Servicer ("**Principal Priority Amounts**" and, together with Revenue Priority Amounts, "**Priority Amounts**") under the circumstances described in the immediately following paragraph.

Revenue Priority Amounts referred to in paragraph (ii) above and Principal Priority Amounts referred to in paragraph (iii) above are any moneys received by or on behalf of the Issuer in respect of a Loan following its repurchase by an Originator or its purchase by the Master Servicer and which do not, therefore, belong to the Issuer but to the relevant Originator or the Master Servicer, as the case may be.

Revenue Priority Amounts and/or Principal Priority Amounts will be paid in pounds sterling, using funds standing to the credit of the Transaction Account.

(b) ***Swap Payments*** ..... On each Interest Payment Date, the Issuer Swap Provider (or, as the case may be, the Issuer Swap Guarantor) will pay to the Issuer the amounts (if any) required to be paid by it under the Issuer Swap Agreement or the Issuer Swap Guarantee. If the Issuer Swap Agreement requires the Issuer to make a payment to the Issuer Swap Provider (other than a payment following an early termination of the Issuer Swap Agreement in respect of which the Issuer Swap Provider is the defaulting party) then, prior to making any other payments on behalf of the Issuer, the Cash Manager will arrange for such a payment to be made to the Issuer Swap Provider using amounts (other than Issuer Principal Receipts) standing to the credit of the Transaction Account.

(c) ***Available Interest Receipts*** ..... On each Calculation Date, the Reporting Agent will determine, on the basis of information provided to it by the Master Servicer, the "**Available Interest Receipts**", which comprise the aggregate of:

(a) all Issuer Interest Receipts transferred to the Transaction Account during the Collection Period ending immediately prior to the relevant Interest Payment Date (the "**related Collection Period**"); **plus**

(b) any payments (other than Swap Breakage Receipts) which the Reporting Agent has determined will be received by the Issuer from the Issuer Swap Provider or the Issuer Swap Guarantor in respect of any Issuer Swap Transaction on the relevant Interest Payment Date; **plus**

(c) any Swap Breakage Receipts received by the Issuer during the related Collection Period which (i) are paid to the Issuer following an early termination of the Issuer Swap Agreement as a result of an event of default where the Issuer Swap Provider was the defaulting party, or (ii) are required for the purposes of covering any shortfall in interest arising on the enforcement of a Loan, the liquidation of which caused the Issuer to terminate an Issuer Swap Transaction, or (iii) are required for the purposes of making a payment in order for the Issuer to enter into a replacement swap agreement; **plus**

(d) an amount equal to one per cent. of the aggregate of any Principal Recovery Funds recovered by or on behalf of the Issuer in respect of the related Collection Period to be applied towards the payment of the Liquidation Fee, if any, payable on such Interest Payment Date (such amounts having been excluded from the calculation of Available Principal Recovery Funds); **plus**

(e) an amount equal to the aggregate of up to one per cent. of Amortisation Funds, Prepayment Redemption Funds and Final Redemption Funds received by the Issuer in respect of any Corrected Loans during the related Collection Period to be applied towards payment of the Work-out Fee, if any, payable on such Interest Payment Date (such amounts having been excluded from the calculation of the Available Amortisation Funds, the Available Prepayment Redemption Funds and the Available Final Redemption Funds); **plus**

(f) the proceeds of any Interest Drawing to be made by the Issuer under and in accordance with the Liquidity Facility Agreement in respect of such Interest Payment Date; **plus**

(g) any interest accrued upon and paid to the Issuer in respect of funds standing to the credit of the Transaction Account, the Stand-by Account or any other account maintained by the Issuer and not paid out on any previous Interest Payment Date or the proceeds of Eligible Investments purchased by the Issuer using such funds; **less**

(h) an amount equal to any payments which the Reporting Agent has determined will be required to be paid by the Issuer to the Issuer Swap Provider on the relevant Interest Payment Date; and **less**

(i) all Priority Amounts paid during the related Collection Period and up to (but not including) that Interest Payment Date.

Pre-Enforcement Application of Available Interest Receipts..... On each Interest Payment Date prior to the service of an Enforcement Notice, the Cash Manager will apply the Available Interest Receipts in the following order of priority, in each case only if and to the extent that payments and provisions of a higher priority have been made in full:

(i) **first**, in payment or discharge to or towards the following amounts to the extent they are due and payable by the Issuer on such Interest Payment Date:

(A) amounts due and payable to the Note Trustee, the Issuer Security Trustee, any Loan Security Trustee and any third party appointed by any Loan Security Trustee in order to enforce the Related Security, on a *pari passu* and *pro rata* basis; then

(B) amounts due and payable to the Paying Agents, the Registrar and the Agent Bank under the Agency Agreement; then

(C) on a *pari passu* and *pro rata* basis, any amounts due and payable to the Master Servicer and the Master Special Servicer pursuant to the Master Servicing Agreement (including, without limitation, in respect of Servicing Fees, the Master Servicing Fee, any Special Servicing Fees, any Liquidation Fees and any Work-out Fees); then

(D) amounts due and payable to the Cash Manager under the Cash Management Agreement; then

(E) amounts due and payable to the Corporate Services Provider under the Corporate Services Agreement; then

(F) amounts due and payable to the Operating Bank under the Cash Management Agreement; then

(G) amounts due and payable to the Exchange Agent under the Exchange Rate Agency Agreement; then

(H) amounts due and payable to the Reporting Agent under the Cash Management Agreement; then

(I) amounts due and payable to the Liquidity Facility Provider under and in accordance with the Liquidity Facility Agreement in respect of the payment of interest on and repayment of any Interest Drawing, Accrued Interest Drawing or Expenses Drawing made by the Issuer under the Liquidity Facility Agreement, together with the commitment fee then due and payable and all other amounts then due from the Issuer under the Liquidity Facility Agreement, other than the Liquidity Facility Subordinated Amounts; then

(J) amounts due and payable to a replacement swap provider upon entry into of a replacement swap agreement; and then

(K) 0.01 per cent. of the Available Interest Receipts to the Issuer (the "**Issuer Profit Amount**");

(ii) **second**, in or towards payment or discharge of any amounts described in item (i) of "Priority Amounts" above, including provision for any such Revenue Priority Amounts expected to become due in the following Interest Period including the payment of the Issuer's liability (if any) to value added tax and to corporation tax;

(iii) **third**, in each case, *pari passu* and *pro rata*, in or towards payment or discharge of (A) interest due on the Class A Notes and (B) the Class X Amount due and payable;

(iv) **fourth**, in or towards payment or discharge of interest due and interest overdue (and any interest due on such overdue interest) on the Class B Notes;

(v) **fifth**, in or towards payment or discharge of interest due and interest overdue (and any interest due on such overdue interest) on the Class C Notes;

(vi) **sixth**, in or towards payment of interest due and interest overdue (and any interest due on such overdue interest) on the Class D Notes;

(vii) **seventh**, in or towards payment or discharge of any amounts due and payable by the Issuer to the Issuer Swap Provider

under the Issuer Swap Agreement in respect of any payments to be made by the Issuer following an early termination of the Issuer Swap Agreement as a result of an event of default under the Issuer Swap Agreement in respect of which the Issuer Swap Provider is the defaulting party;

(viii) **eighth**, in or towards payment or discharge of any amounts in respect of (A) any increased costs (other than those amounts referred to in (B) below), mandatory costs, or tax gross up amounts owing under the Liquidity Facility Agreement, to the extent that such increased costs, mandatory costs, or tax gross up amounts exceed 0.05 per cent. per annum of the commitment provided under the Liquidity Facility Agreement and (B) any increase in the commitment fee payable to the Liquidity Facility Provider as a result of the imposition of increased costs arising from the Liquidity Facility Provider's implementation of the New Basel Capital Accord, to the extent that such increase exceeds 0.05 per cent. per annum of the commitment provided under the Liquidity Facility Agreement (the amounts owing under this paragraph (viii) being the "**Liquidity Subordinated Amounts**" in respect of such Interest Payment Date); and

(ix) **ninth**, any surplus to the Issuer.

(e) ***Available Principal*** ..... The Reporting Agent is required, on the basis of information provided to it by the Master Servicer, to calculate on each Calculation Date in respect of the Collection Period then ended, the Available Amortisation Funds, the Available Prepayment Redemption Funds, the Available Principal Recovery Funds and the Available Final Redemption Funds (each as defined in Condition 5(*b*) at page 156).

The "**Available Principal**" for each Interest Payment Date will be the aggregate of the Available Amortisation Funds, Available Prepayment Redemption Funds, Available Final Redemption Funds and Available Principal Recovery Funds calculated on the related Calculation Date.

Subject as provided below, on each Interest Payment Date where a Sequential Redemption Event has not occurred, the Available Principal will be applied to redeem the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes. The amount by which a particular class of Notes will be redeemed on a particular Interest Payment Date will equal the sum of:

(A) an amount equal to the percentage applicable to the relevant Class of Notes of Available Principal (other than Available Principal Recovery Funds) received in respect of each Loan according to its group. The relevant percentages for each Class of Notes and the groups of Loans for these purposes is set out below:

	Group 1 Loans	**Group 2 Loans**
Class A Notes	86.00%	80.00%
Class B Notes	6.00%	5.00%
Class C Notes	6.00%	6.00%
Class D Notes	2.00%	9.00%

Group 1 Loans:

Lloyds Building Loan
St. Enoch Loan
Halton Lea Shopping Centre Loan
Grays Shopping Centre Loan

Group 2 Loans:

Admiral Portfolio Loan
Normandy House Loan
Money Centre Loan
Environment Agency Building Loan; and

(B) an amount of Available Principal Recovery Funds received in respect of each Loan allocated to the relevant Class of Notes in accordance with the following procedure. The Available Principal Recovery Funds received in respect of a Loan will be applied sequentially to the Target Redemption Amounts for such Loan. The "**Target Redemption Amount**" for each Class of Notes in relation to each Loan on any day will be equal to the product of (i) the aggregate principal amount outstanding of the relevant Loan on that day and (ii) the percentage applicable to the relevant Class of Notes and the relevant Loan according to its group.

For the purpose of determining the amount of Available Principal to be allocated to redeem any Class of Notes, if in accordance with the above allocation rules the amount of Available Principal available to redeem a Class of Notes would exceed the Principal Amount Outstanding of such Class of Notes, an amount equal to the excess will be allocated to the other Classes of Notes on a pro-rata basis. The percentage of such excess amount to be applied to a Class of Notes will be equal to the fraction (expressed as a percentage) of (i) the weighted average loan allocation percentage applicable to the relevant outstanding Class of Notes divided by (ii) the aggregate of the weighted average loan allocation percentages applicable to all the Classes of Notes with a Principal Amount Outstanding of greater than zero. The weighted average loan allocation percentage of a Class of Notes on any Calculation Date will be equal to (i) the sum of the products of the amount of Available Principal applicable to each Loan and the relevant percentage applicable to the relevant Class of Notes divided by (ii) the amount of Available Principal to be allocated on such Calculation Date.

Notwithstanding the above, if on any Interest Payment Date where a Sequential Redemption Event has not occurred, but a Work-out Fee or Liquidation Fee is payable by the Issuer in respect of principal with the effect that Available Principal available to redeem the Notes is reduced (which may not be the case in respect of a Tranched Loan), then the above application of Available Principal shall be altered. In such circumstances, the amount of such Work-out Fee or Liquidation Fee shall, for the purposes of calculating the amount of each class of Notes to be redeemed, be added to the amount of the then Available Principal and the notional waterfall above applied as if such amounts were available to the Issuer. Then the relevant amount of Work-out Fee or Liquidation Fee shall be deducted from the amount by which the most junior class of Notes would have been redeemed if such increased sum of Available Principal had been

available and the Notes of each class shall then be redeemed by reference to such revised amounts.

Sequential Redemption Event..... A "**Sequential Redemption Event**" shall occur if any of the following circumstances exist on a Calculation Date:

(A) more than 25 per cent. of the Loans are Specially Serviced Loans; or

(B) the cumulative percentage of Loans (calculated by reference to the principal amount outstanding of the Loans as at the Closing Date) which have defaulted since the Closing Date is greater than 25 per cent. of the aggregate principal amount outstanding of the Loans as at the Closing Date; provided that, in determining whether a Loan has defaulted for the purposes of this paragraph:

(1) such determination shall be made solely on the basis of the terms of the relevant Credit Agreement as at the Closing Date and without regard to any subsequent amendments to the relevant Credit Agreement or waivers granted in respect thereof; and

(2) an event of default shall not be deemed to have occurred if (a) the default is with respect to payment and such default has been remedied or cured within 10 Business Days of such default, and/or (b) the default is other than with respect to payment, the default is capable of being remedied or cured and such default has been remedied or cured within 30 days of such default being notified in accordance with the terms of the relevant Credit Agreement, and/or (c) enforcement procedures have been completed and the principal amount outstanding and all amounts of interest, fees, expenses and any other amounts payable by the relevant Borrower in respect of such defaulted Loan have been received in full or the relevant Borrower has prepaid the defaulted Loan in full (including, for the avoidance of doubt, all amounts of interest, fees, expenses and other amounts payable by the relevant Borrower in respect of such defaulted Loan); or

(C) there has been any loss incurred by the Noteholders since the Closing Date resulting from a failure of the Issuer to repay principal of, or, other than in respect of the most senior class of Notes then outstanding, pay interest on, any Note on the due date for such payment.

If a Sequential Redemption Event has occurred then all Available Principal will be applied on each subsequent Interest Payment Date in the following order of priority:

(i) **first**, in or towards repaying the Principal Amount Outstanding of the Class A Notes until all the Class A Notes have been redeemed in full;

(ii) **second**, in or towards repaying the Principal Amount Outstanding of the Class B Notes until all the Class B Notes have been redeemed in full;

(iii) **third**, in or towards repaying the Principal Amount Outstanding of the Class C Notes until all the Class C Notes have been redeemed in full; and

(iv) **fourth**, in or towards repaying the Principal Amount Outstanding of the Class D Notes until the Class D Notes have been repaid in full.

For further information regarding the redemption of the Notes, see Condition 5 at page 154.

The Issuer will not be required to accumulate surplus assets as security for any future payments of interest or repayment of principal on the Notes. Any amounts standing to the credit of the Transaction Account after an Interest Payment Date or, in the case of the first Interest Period, the Closing Date and prior to the next following Calculation Date will be invested in Eligible Investments that mature on or before the next following Calculation Date.

Payments paid out of the Transaction Account Post-Enforcement ..... For so long as any Notes are outstanding, the Issuer Security will become enforceable upon the Note Trustee giving an Enforcement Notice and instructing the Issuer Security Trustee to enforce the Issuer Security or any part thereof. Following enforcement of the Issuer Security, the Issuer Security Trustee will be required to apply all funds received or recovered by it in accordance with the order of priority described under "Credit Structure – Post-Enforcement Priority of Payments" at page 135.

RISK FACTORS

The following is a summary of certain issues of which prospective Noteholders should be aware, but it is not intended to be exhaustive and prospective Noteholders should also read the detailed information set out elsewhere in this document and reach their own views prior to making any investment decision. Some, but not all, of the issues set out in this section are mitigated by certain representations and warranties which the Originators will provide in the Loan Sale Agreement to which they are a party in relation to the Loan or Loans that they originated. For further information about the representations and warranties given by the Originators, see "The Loan Sale Agreements – Representations and Warranties" at page 79).

Factors Relating to the Loans

Borrowers' Ability to Pay

If the Issuer does not receive the full amount due from the Borrowers in respect of the Loans, then Noteholders (or the holders of certain classes of Notes) may receive by way of principal repayment an amount less than the face value of their Notes and the Issuer may be unable to pay, in whole or in part, interest due on the Notes. The Issuer does not guarantee or warrant full and timely payment by the Borrowers of any sums payable under the Loans.

A Borrower's ability to make timely payment of amounts due in respect of a Loan will, in most cases, be dependent on the ability of the Property or Properties securing that Borrower's Loan to generate income which is sufficient to make such payments. Investors should assume that no funds other than those derived from the Properties will be available to Borrowers to enable them to make payments due on their Loans. Furthermore, if a Borrower defaults in its obligations in respect of a Loan and the relevant Loan Security Trustee enforces the Related Security or if a Borrower's ability to repay a Loan on its maturity is dependent on the sale or refinancing of the related Property or Properties, the Issuer's ability to recover all amounts due in respect of the relevant Loan will depend on the market value of the Property or Properties securing its repayment.

The ability of a Property to generate income and its market value may be adversely affected by a large number of factors. Some of these factors relate specifically to a Property itself, such as: (a) the age, design and construction quality of the Property; (b) perceptions regarding the safety, convenience and attractiveness of the Property; (c) the proximity and attractiveness of competing properties; (d) the adequacy of the Property's management and maintenance; (e) an increase in the capital expenditure needed to maintain the Property or make improvements to it; and (f) a decline in the financial condition of a major tenant, a decline in rental rates as leases are renewed or entered into with new tenants, the length of occupational leases, the creditworthiness of tenants and the size of the real estate market in the locality of the Property. Other factors are more general in nature, such as: (a) national, regional or local economic conditions (including plant closures, industry slowdowns and unemployment rates); (b) local property conditions from time to time; (c) demographic factors; (d) consumer confidence; (e) consumer tastes and preferences; (f) retrospective changes in building codes or other regulatory changes; (g) changes in governmental regulations, fiscal policy, planning/zoning or tax laws; (h) potential environmental legislation or liabilities or other legal liabilities; (i) the availability of refinancing; and (j) changes in interest rate levels or yields required by investors in income-producing commercial properties.

Any one or more of these factors could have an adverse effect on the income which a particular Property is able to generate and/or on its market value, which could in turn cause the relevant Borrower to default on its Loan, reduce the chances of refinancing a Loan or reduce the ability to sell the Property for a price which would be sufficient to pay or repay all amounts due on the related Loan.

Refinancing Risk

Four Loans accounting for 75.9 per cent. of the Aggregate Cut-Off Balance Date do not require the Borrower to repay any principal until the Loan matures and the remaining four Loans accounting for 24.1 per cent. of the Aggregate Cut-Off Date Balance amortise partly throughout their term but require the Borrower to make a substantial repayment of principal on the maturity date. The ability of a Borrower to make the payment of principal due on the final maturity date of any Loan may be dependent upon that Borrower's ability to refinance the relevant Loan or to sell the Property or Properties securing that Loan. Neither the Issuer nor any of the Originators is under any obligation to provide any such refinancing and there can be no assurance that a

Borrower would be able to refinance its Loan or that a Borrower would be able to sell the relevant Property or Properties in a timely fashion. Failure by a Borrower to refinance the relevant Loan or by the Borrower to sell or to procure the sale of the relevant Property or Properties may result in that Borrower defaulting on its Loan. In the event of such a default, the Noteholders, or the holders of certain classes of Notes, may receive by way of principal repayment an amount less than the face value of their Notes and the Issuer may be unable to pay in full interest due on the Notes.

Loan Concentration

In relation to any pool of loans, loan losses will be more severe if the losses relate to loans that account for a large percentage of the pool's aggregate principal balance. Loans made to five Borrowers represent approximately 40.5, 27.3, 11.2, 10.2 and 6.0 per cent. respectively, of the Aggregate Cut-Off Date Balance. For further details of these Loans and their Related Security see "Loan and Related Property Summaries" at page 87. As there are only eight Loans comprising the Portfolio, losses on any Loan may have a substantial adverse effect on the ability of the Issuer to make payments due under the Notes.

In addition, concentrations of Properties in geographic areas may increase the risk that adverse economic or other developments affecting a particular region could increase the frequency and severity of losses on the Loans which are secured by such Properties.

Tenant Default

Any tenant of a Property may, from time to time, experience changes in its business which may weaken its financial condition and result in a failure to make rental payments when due. If a tenant of a Property were to default in its obligations to pay rent, the related Borrower is unlikely to have other funds available to enable it to make payments due on its Loan. The Borrower may also incur costs and experience delays associated with protecting its investment, including costs incurred in renovating and reletting the relevant Property, thereby further reducing the amount available to make payments due in respect of the Loan.

Office Properties

Four of the loans representing 45.3 per cent. of the Aggregate Cut-Off Date Balance are secured solely by office properties. The income from and market value of an office property, and a borrower's ability to meet its obligations under a loan secured by an office property, are subject to a number of risks. In particular, a given property's age, condition, design, access to transportation and ability to offer certain amenities to tenants, including sophisticated building systems (such as fibre-optic cables, satellite communications or other base building features) all affect the ability of such a property to compete against other office properties in the area in attracting and retaining tenants. Other important factors that affect the ability of an office property to attract or retain tenants include the quality of a building's existing tenants, the quality of the building's property manager, the attractiveness of the building and the surrounding area to prospective tenants and their customers or clients and access to public transportation and major roads. Attracting and retaining tenants often involves refitting, repairing or making improvements to office space to accommodate the type of business conducted by prospective tenants or a change in the type of business conducted by existing major tenants. Such refitting, repairing or improvements are often more costly for office properties than for other property types.

Local and regional economic conditions, changes in local and regional population patterns, sharing of office space and employment growth together with other related factors also affect the demand for and operation of office properties. In addition, an economic decline in the businesses operated by tenants can affect a building and cause one or more significant tenants to cease operations and/or become insolvent. The risk of such an adverse effect is increased if revenue is dependent on a single tenant or a few large tenants or if there is a significant concentration of tenants in a particular business or industry.

Any one or more of the above described factors or others not specifically mentioned above could operate to have an adverse effect on the income derived from, or able to be generated by, a particular office Property, which could in turn cause the relevant Borrower to default on its Loan, reduce the chances of a Borrower refinancing a Loan or reduce a Borrower's ability to sell a Property at a required price or at all.

No assurance can be given that tenants in the Properties will continue making payments under their leases or that any such tenants will not become insolvent or subject to administration in the future or, if any such tenants become subject to administration, that they will continue to make rental payments in a timely manner.

In addition, a tenant may, from time to time, experience a downturn in its business, which may weaken its financial condition and result in a failure to make rental payments when due. If a tenant, particularly a major tenant, defaults in its obligations under its occupational lease, the applicable Borrower may experience delays in enforcing its rights as lessor and may incur substantial costs and experience significant delays associated with protecting its investment, including costs incurred in renovating and re-letting the relevant Property.

Retail Properties

Three of the loans representing 43.5 per cent. of the Aggregate Cut-Off Date Balance are secured by retail properties. The value of retail properties is significantly affected by the quality of the tenants as well as fundamental aspects of commercial property, such as location and market demographics. In addition to location, competition from other retail spaces or the construction of other shopping centres, retail properties face competition from other forms of retailing outside a given property market (such as mail order and catalogue selling), which may reduce retailers' need for space and, therefore, the rents collectable from retail properties.

The success of a shopping centre is dependent on, among other things, achieving the correct mix of tenants so that an attractive range of retail outlets is available to potential customers. The presence or absence of an "anchor tenant" in a shopping centre can be particularly important in this, because anchor tenants play a key role in generating customer traffic and making a centre desirable for other tenants. While there is no strict definition of an "anchor tenant", it is generally understood that a retail anchor tenant is larger in size and generally attracts customers to a retail property, whether or not it is located on the related property. An anchor tenant may cease operations at a retail property because it decides not to renew a lease, becomes insolvent or goes out of business. If any anchor store located in, or occupying space outside of, a Property securing any Loan were to close and such anchor tenant is not replaced in a timely manner the related property owner may suffer adverse economic consequences. If such an anchor tenant occupies a portion of the related property, the property owner may also be required to refurbish and customise the space.

Other key factors affecting the value of retail properties include the quality of management of the properties, the attractiveness of the properties and the surrounding neighbourhood to tenants and their customers, the public perception of the safety in the neighbourhood, access to public transportation and major roads and the need to make major repairs or improvements to satisfy major tenants.

Any one or more of the above described factors or others not specifically mentioned above could operate to have an adverse effect on the income derived from, or able to be generated by, a particular retail Property, which could in turn cause the relevant Borrower to default on its Loan, reduce the chances of a Borrower refinancing a Loan or reduce a Borrower's ability to sell a Property at a required price or at all.

The Admiral Loan representing 11.2 per cent. of the Aggregate Cut-Off Date Balance is secured by a mixture of retail and office properties and therefore the risk factors described above in relation to office and retail properties both apply to this Loan.

The Lloyds Building Loan

The Lloyds Building Loan (which represents approximately 40.5 per cent. of the Aggregate Cut-Off Date Balance) is secured over the Lloyds' building in the City of London. The major tenant in the Lloyds' building is the society known as Lloyds (the "**Society**"). Lloyds was incorporated as the Society and Corporation of Lloyds pursuant to the Lloyds Act 1871. The activities of the Society are accordingly governed by statute, and, since 1982, have been managed by the Council of Lloyds pursuant to the Lloyds Act 1982. The Society's main purpose is to facilitate the carrying on of insurance business by members of Lloyds. Insurance at Lloyds is underwritten by members of Lloyds comprising corporate members and individual members. Members underwrite insurance business through syndicates. A syndicate does not have any legal status and is not a partnership.

The volume of gross written premiums (including brokerage) was £16.4 billion in 2003. Lloyds writes a broad portfolio of general insurance and reinsurance business and is authorised to do business in over 60 jurisdictions.

The Society does not itself underwrite, and is not authorised by the Financial Services Authority to carry on, insurance business. The Society is funded by levying an annual subscription on members and imposing

certain other charges on members. As at 31st December, 2003 the Society had total gross reserves of £70,365,000[1].

To the extent that the Society is no longer able to fund itself through subscriptions, the Society will no longer be able to meet its liabilities to pay rent and other sums due under its occupational lease. This would adversely affect the ability of the Borrower to pay interest and other sums due under the Lloyds Building Loan, which may in turn adversely affect the amount available to Noteholders.

The Lloyds building was designed to satisfy Lloyds' and the insurance industry's specific operational requirements and not a general office user. An architectural study which was commissioned indicates that a range of modifications may be required in order to make the building suitable for office use. It is indicated in the Origination Valuation that the building could be listed within the next 15 years, and this would impact on the ability of the owner of the building to modify it to suit modern office requirements. There is therefore a risk that it will be difficult and/or expensive to convert the building to office use at the expiry or sooner termination of the term of the Lease. This may affect the ability of the relevant Borrower to re-finance its existing Loan, or the ability of the HRE Loan Security Trustee to enforce its security over the Loan, which may in turn adversely affect the amount available to Noteholders.

Syndicated Loans - St. Enoch Loan

The MS Loan Originator's interest in the St. Enoch Loan is as a syndicated lender. Following the acquisition of such Loan by the Issuer, the Issuer will have voting rights in relation to the administration and enforcement of that Loan equivalent to its participation in the aggregate principal amount outstanding of that Loan. As at the Cut-Off Date, the MS Loan Originator's participation in the St. Enoch Loan represented 50 per cent. of the aggregate principal amount outstanding of such Loan. The Loan Documentation for the St. Enoch Loan requires that certain decisions regarding the administration and enforcement of the Loan have to be made by the "Majority Lenders", namely those lenders whose participations aggregate more than 65 per cent. of all the participations in the Loan. As the Issuer will only acquire a 50 per cent. participation in the Loan, the Issuer will not, acting alone, be able to direct its administration and enforcement. However, the Issuer will have an effective veto over any decisions that need to be taken by the Majority Lenders (or their agents) in respect of the St. Enoch Loan.

Risk Relating to the St. Enoch Loan Security Trust

The St. Enoch Loan Related Security is held on trust for the relevant lenders by Deutsche Bank. There is a risk that, in any insolvency proceedings undertaken in relation to Deutsche Bank which are conducted in a jurisdiction other than England and Wales or Scotland, the courts of the relevant jurisdiction may not recognise the St. Enoch Loan Security Trust and may consider the assets which are subject to the St. Enoch Loan Security Trust as forming part of Deutsche Bank's estate.

Prepayments

The Loans may be prepaid in whole or in part prior to their respective stated final maturity dates. If prepayments occur at a faster rate than was anticipated, the investment performance of a Note may be adversely affected. Prepayment Fees will not be available to compensate Noteholders for any reductions in yield but will be paid to the relevant Class X Certificate Holder.

Due Diligence; Representations and Warranties

Each Originator undertook due diligence in relation to the Loan or Loans it originated and the Properties securing such Loan or Loans at the time of their origination. Other than limited legal due diligence undertaken by or on behalf of each Originator in the context of the representations and warranties being given under the Loan Sale Agreement to which it is a party, the due diligence previously undertaken by that Originator will not be verified or updated prior to the sale of the Loans to the Issuer.

None of the Issuer, the Note Trustee or the Issuer Security Trustee has undertaken or will undertake any investigations, searches or other due diligence regarding the Loans or the Properties or as to the status of the Borrowers and each of them will instead rely solely on the warranties given by the relevant Originator in respect of such matters in the relevant Loan Sale Agreement. For further information regarding the representations and

[1] Information extracted from publicly available information published by Lloyds

warranties given by the Originators, see "The Loan Sale Agreements – Representations and Warranties" at page 79. If any breach of warranty relating to any Loan and the Related Security is material and (if capable of remedy) is not remedied, the Issuer Security Trustee may require the relevant Originator to repurchase such Loan together with its beneficial interest in the related Security Trust. The Issuer will have no recourse to the relevant Originator in respect of losses arising in relation to the Loans or their Related Security, other than to require the relevant Originator to repurchase any Loan in relation to which a warranty has been breached. The Issuer will have no recourse against an Originator in respect of any losses arising in relation to the Loan or Loans or their Related Security that were originated by the other Originator. Therefore to the extent that any loss arises as a result of a matter which is not covered by a particular warranty or warranties, the loss will remain with the Issuer.

Valuations

The Origination Valuations in respect of the Properties have been provided by a number of independent qualified firms. The Origination Valuations express the professional opinion of the relevant valuers on the relevant Property and are not guarantees of present or future value in respect of such Property. One valuer may, in respect of any Property, reach a different conclusion than the conclusion in relation to a particular Property that would be reached if a different valuer were appraising such Property. Moreover, valuations seek to establish the amount that a typically motivated buyer would pay a typically motivated seller and, in certain cases, may have taken into consideration the purchase price paid by the existing property owner. There can be no assurance that the market value of the Property will continue to equal or exceed the valuation contained in the relevant valuation report. If the market value of a Property fluctuates, there can be no assurance that the market value will be equal to or greater than the unpaid principal and accrued interest on the Loan made in respect of such Property and any other amounts due under the relevant Credit Agreement. If the Property is sold following an event of default in respect of a Loan, there can be no assurance that the net proceeds of such sale will be sufficient to pay in full all amounts due in respect of the relevant Loan.

For further information regarding the Origination Valuations of each of the Properties please see the CD-ROM distributed contemporaneously with this Prospectus and the section entitled "CD-ROM Disclaimer" at page 194.

Leasehold Properties

Three of the loans representing 40.6 per cent. of the Aggregate Cut-Off Date Balance were secured either by leasehold Properties or a mixture of freehold (or the Scottish equivalent) and leasehold Properties. If ground rents in respect of a leasehold Property are not paid when they are due, there is a risk of the rents payable by the occupational tenants to the Borrower being diverted to a superior landlord by a notice under Section 6 of the Law of Distress Amendment Act 1908 (the "**LDAA**") or, in Scotland, by arrestment. Rent may also (in England and Wales) be diverted voluntarily by the sub-tenant in accordance with Section 21 of the LDAA. The superior landlord may also seek to forfeit (or in Scotland, irritate) the lease if ground rents remain unpaid.

The Master Servicer and the Master Special Servicer have agreed to monitor compliance by the Borrowers of the Loans they are responsible for servicing with their obligations to make all ground rent payments in respect of Properties which are leasehold. If the Master Servicer or the Master Special Servicer becomes aware that a Borrower has failed to make any such payments, the Master Servicer or the Master Special Servicer may, if to do so would be in accordance with the Servicing Standard, make any payment required, either by using funds standing to the credit of any relevant Rent Account or by using its own funds (subject to being reimbursed by the Issuer on the next Interest Payment Date together with interest at the Reimbursement Rate). The Master Servicer or, as the case may be, the Master Special Servicer will be obliged to seek to recover from the relevant Borrower any amounts so paid.

Insurance

The Credit Agreements in respect of all the Loans, other than the Environment Agency Building Loan, require each Property to be insured at appropriate levels and against the usual risks. However, there can be no assurance that any loss incurred will be of a type covered by such insurance and will not exceed the limits of such insurance. Should an uninsured loss or a loss in excess of insured limits occur at a Property, the Borrower could suffer disruption of income from the Property, potentially for an extended period of time, while remaining responsible for any financial obligations relating to the Property. In addition, Borrowers are relying on the creditworthiness of the insurers providing insurance with respect to the Property and the continuing availability

of insurance to cover the required risks, in respect of neither of which can assurances be made. In relation to the Lloyds Building Loan, insurance is effected by the tenant rather than the Borrower. For further information regarding the insurance arrangements under the Lloyds Building Loan, see "The Loans – Loan Terms - Insurance" on page 72.

When each Loan (other than the Environment Agency Building Loan) was originated, it was the policy of the relevant Originator to verify that insurance was in place which met the requirements of the applicable Loan Documentation. No further verification of such insurance arrangements has been undertaken in connection with the sale of such Loans to the Issuer. However, the Master Servicer has agreed to monitor compliance by the Borrowers (other than the Borrowers under the Lloyds Building Loan and the Environment Agency Building Loan) with the terms of their Loan Documentation relating to insurance and to make alternative insurance arrangements should a policy be found to have lapsed.

The Borrower under the Environment Agency Building Loan is not required to effect insurance in relation to the relevant Property so long as the Property is occupied by the Environment Agency or a Crown body under an occupational lease. The current tenant (the Environment Agency) is obliged to pay the cost of reinstatement of the Property in the event of damage or destruction to the Property and rent is not suspended in the event of damage or destruction of the Property. If the tenant ceases to be the Environment Agency or a Crown body, the Borrower must procure that insurance is maintained.

For further information regarding the Borrowers' obligations relating to insurance, see "The Loans – Loan Terms - Insurance" at page 72 . For further information regarding the basis on which the Master Servicer will make alternative insurance arrangements, see "Servicing - Insurance" at page 125.

Environmental Risks

Existing environmental legislation in the United Kingdom imposes liability for clean-up costs on the owner or occupier of land where the person who caused or knowingly permitted the pollution cannot be found. The term "owner" would include anyone with a proprietary interest in the relevant land. Even if more than one person may have been responsible for the contamination, each person covered by the relevant environmental laws may be held responsible for all the clean up costs incurred. If a Borrower was to incur any costs as a result of environmental liabilities at a Property, this may reduce the amount available to make payments in respect of the related Loan. Environmental liabilities at a Property which are not remedied, or are not capable of being remedied, may result in an inability to sell the Property or in a reduction in the price obtainable for the Property resulting in a sale at a loss. In addition, third parties may sue a current or previous owner, occupier or operator of a Property for damages and costs resulting from substances emanating from that Property, and the presence of substances on the Property could result in personal injury or similar claims by third parties.

If a Loan Security Trustee became a mortgagee or heritable creditor in possession, it could become responsible for environmental liabilities in respect of a Property and would, in priority to payments due to the Noteholders, be entitled to be indemnified by the Issuer for any costs and expenses incurred by it as a result.

Borrowers/Mortgagors

Each Borrower has been structured to be a special purpose entity (an "**SPE**"). SPEs give covenants in their relevant loan documentation that are generally designed to limit the purpose of the borrowing entity to owning one or more properties, making payments on their loan(s) and taking such other actions as may be necessary to carry out the foregoing in order to reduce the risk that circumstances unrelated to the loan(s) and related properties result in a borrower bankruptcy. SPEs are generally used in commercial loan transactions to satisfy requirements of institutional lenders and rating agencies. In order to minimise the possibility that SPEs will be the subject of insolvency proceedings, provisions are generally contained in the documentation relating to their mortgage loans that, among other things, limit the indebtedness that can be incurred by such entities and restrict such entities from conducting business as an operating company (thus limiting exposure to outside creditors).

All of the Loans contain provisions that require the related Borrower to conduct itself in accordance with certain SPE covenants, which may include some or all of the foregoing. In addition, there can be no assurance that all or most of the restrictions customarily imposed on SPEs by institutional lenders and ratings agencies will be complied with by the Borrowers, and even if all or most of such restrictions have been complied with by the Borrowers, there can be no assurance that such Borrowers will not nonetheless become insolvent.

In addition, five of the Borrowers and/or, where the Property is held by a Mortgagor that is not the Borrower, Mortgagors, were incorporated or formed for the purposes of acquiring (or refinancing the acquisition of) and holding the legal and beneficial interests in the Property or Properties charged as security for its related Loan. Save as set out under "Loan and Property Summaries" below, the Issuer has been informed by such parties that the relevant company or entity has no material or contingent liabilities (other than indebtedness permitted under the related Credit Agreement and which is fully subordinated pursuant to a formal subordination agreement) except in relation to the Property or Properties which are security for the Loans.

An insolvency of any Borrower would result in a Loan Event of Default with respect to the related Loan giving rise to an acceleration of such Loan and an enforcement of the Related Security. In the event of such a default, the Issuer may be unable to pay to the Noteholders, or the holders of certain classes of Notes, (a) by way of principal repayment, the entire face value of their Notes and (b) by way of interest payment, the full amount due on the Notes.

Limited Payment History; Recent Acquisition of the Property

All of the Loans were originated within nine months of the Closing Date. As such, the Loans do not have a long standing payment history and there can be no assurance that required payments will be made or, if made, will be made on a timely basis. In addition, six of the Borrowers/Mortgagors acquired their related Properties, contemporaneously with the origination of their respective Loan. Accordingly, the Borrowers/Mortgagors may have limited operating history with respect to the Properties and, therefore, there is a risk that the net operating income and cash flow of such Properties may vary significantly from the operations, net operating income and cash flow generated by the Properties under prior ownership and management.

Hedging at Borrower level

The Lloyds Building Loan bears interest at a floating rate whereas the income of the Borrower under the Lloyds Building Loan is primarily made up of fixed rental payments. In order to protect the Borrower from interest rate exposure, the Lloyds Building Loan contains an obligation on the Borrower to enter into hedging arrangements for the duration of the Loan. However, in certain circumstances, the hedging arrangements may be terminated and as a result the Borrower may be unhedged if replacement hedging arrangements cannot be entered into. In particular, the Issuer may suffer a loss if the hedging arrangement is terminated and the Borrower is, as a result of such termination, required to pay amounts to the Lloyds Building Loan Hedge Provider *pari passu* with amounts it is required to pay to the lender. In these circumstances, the amounts paid to the hedge counterparty are not available to the lender.

The interest rate hedging arrangements in relation to the Lloyds Building Loan are in the form of an interest rate swap which is scheduled to remain in place until the maturity of the Lloyds Building Loan. Until such maturity date, sums due to the Lloyds Building Loan Hedge Provider by the Borrower rank *pari passu* with sums due to the lender under the Lloyds Building Loan. There is therefore a risk that: (i) where a partial payment of interest or principal is received from the Borrower the amount of interest or principal paid to Noteholders will be reduced; or (ii) on an enforcement of the Lloyds Building Loan, the amount available to Noteholders will be reduced to the extent that breakage or other costs are due to the Lloyds Building Loan Hedge Provider.

Enforcement

General

If a Borrower defaults in its obligations in relation to a Loan and/or its Related Security, (and, in the case of a Senior Tranche, such default is not cured by the relevant junior lender in accordance with the relevant Intercreditor Agreement) the Master Servicer or, if at the relevant time the Loan is a Specially Serviced Loan, the Master Special Servicer will be required to apply its then-current enforcement procedures in accordance with the Servicing Standard. These procedures may, in certain circumstances, involve the Master Servicer or Master Special Servicer declining or deferring the commencement of formal enforcement proceedings. Instead, the Master Servicer or Master Special Servicer may agree to waive, vary or amend certain provisions of the Loan Documentation, provided that to do so would be in accordance with the Servicing Standard.

Receiver

If the Master Servicer or Master Special Servicer considers that formal enforcement proceedings should be commenced, this is likely to be done by requiring the relevant Loan Security Trustee to appoint a "Law of Property Act" or non-administrative receiver (an "**LPA Receiver**") or, in certain cases, procuring that the Loan Security Trustee obtains possession of the relevant Property. Pending completion of the enforcement procedures in relation to a Loan, delays could be experienced in the collection of amounts due from Borrowers and, subject to the availability of the Liquidity Facility, could result in a failure by the Issuer to pay amounts due under the Notes in a timely manner. Any LPA Receiver would be deemed to be the agent of the relevant Borrower and, for so long as the LPA Receiver acted within his powers, would only incur liability on behalf of the Borrower. The LPA Receiver would, however, be likely to require from the relevant Loan Security Trustee an indemnity to meet his costs and expenses (which would rank ahead of payments due in respect of the Loan) as a condition of his appointment. However, if the relevant Loan Security Trustee (or the Master Servicer or Master Special Servicer on its behalf), unduly directed, interfered with or influenced the LPA Receiver's actions, the relevant Loan Security Trustee may be held to be responsible for those actions and may be deemed to have become a mortgagee in possession. It is not possible to appoint an LPA Receiver in relation to the Property situated in Scotland.

Taking Possession

In certain cases Master Servicer or Master Special Servicer may consider that taking possession of a Property would be the most appropriate course of action. If so, possession may be obtained by entering into physical possession of the Property by applying for, obtaining and enforcing a court order in respect of the Property or by voluntary surrender of possession of the Property to the relevant Loan Security Trustee. The relevant Loan Security Trustee may also be deemed to be a mortgagee or heritable creditor in possession if it performs an act of control or influence over a receiver appointed by it. If a court grants a possession order in favour of a Loan Security Trustee, the court may (except in Scotland), suspend its application to permit the Borrower more time to pay the amounts outstanding under the relevant Loan.

Power of Sale

A Loan Security Trustee and/or any receiver appointed by it, in exercising its power of sale over a Property will have a duty to the Mortgagor to take reasonable care to obtain a proper price. Any failure to do so will put that Loan Security Trustee at risk of an action by the relevant Mortgagor for breach of duty, although it is for the Mortgagor in such circumstances to prove such a breach of duty has occurred. The Mortgagor may also take court action to attempt to force the Loan Security Trustee to sell the relevant Property within a reasonable time. A mortgagee or heritable creditor in possession will have an obligation to account to the Mortgagor for the income obtained from the Property, be liable for any damage to the Property, have a limited liability to repair the Property and, in certain circumstances, may be obliged to make improvements or incur financial liabilities in respect of the Property. A mortgagee or heritable creditor in possession may also be liable to an occupational tenant for any mis-management of the relevant property and may incur liabilities to third parties in nuisance and negligence and, under certain statutes (including environmental legislation), the liabilities of a property owner.

Enterprise Act 2002

By an order made by the Under-Secretary of State for Small Business and Enterprise on 8th August, 2003, the provisions of the Enterprise Act 2002 (the "**Enterprise Act**") amending certain corporate insolvency provisions of the Insolvency Act 1986 came into force on 15th September, 2003. As a result of the amendments made by the Enterprise Act, the holder of a qualifying floating charge created on or after 15th September, 2003 will be prohibited from appointing an administrative receiver to a company unless the floating charge falls within one of the exceptions set out in sections 72A to 72G of the Insolvency Act (the "**exceptions**") and consequently the ability to prevent the appointment of an administrator to such company will be lost.

The floating charges granted by the relevant Borrowers after 15th September, 2003 are qualifying floating charges for the purposes of the Enterprise Act but do not have the benefit of any of the exceptions. Therefore, an administrative receiver could not be appointed to the relevant Borrower, so the relevant Loan Security Trustee could not prevent the appointment of an administrator. However, as discussed above, each relevant Borrower is structured to be an "insolvency remote" SPE.

In addition to the introduction of a prohibition on the appointment of an administrative receiver as set out above, section 176A of the Insolvency Act 1986 provides that any receiver (including an administrative receiver), liquidator or administrator of a company is required to make a "prescribed part" of the company's "net property" available for the satisfaction of unsecured debts in priority to the claims of the floating charge holder. The company's "net property" is defined as the amount of the chargor's property which would be available for satisfaction of debts due to the holder(s) of any debentures secured by a floating charge and so refers to any floating charge realisations less any amounts payable to the preferential creditors or in respect of the expenses of the liquidation or administration. The "prescribed part" is defined in the Insolvency Act 1986 (Prescribed Part) Order 2003 (SI 2003/2097) to be an amount equal to 50 per cent. of the first £10,000 of floating charge realisations plus 20 per cent. of the floating charge realisations thereafter, provided that such amount may not exceed £600,000.

This obligation does not apply if the net property is less than a prescribed minimum and the relevant officeholder is of the view that the cost of making a distribution to unsecured creditors would be disproportionate to the benefits. The relevant officeholder may also apply to court for an order that the provisions of section 176A of the Insolvency Act should not apply on the basis that the cost of making a distribution would be disproportionate to the benefits.

Floating charge realisations upon the enforcement of any security granted may be reduced by the operation of these "ring fencing" provisions up to a maximum of £600,000.

Insolvency Act 2000

The Insolvency Act 2000 (the "**IA 2000**") contains certain provisions (which came into effect on 1st January, 2003) which amend the Insolvency Act 1986 so as to allow "small companies", as part of the company voluntary arrangement procedure, to seek court protection from their creditors by way of a moratorium for a period of up to 28 days, with the option for creditors to extend this protection for up to a further two months (although the Secretary of State for Trade and Industry may, by secondary legislation, extend or decrease the duration of each period).

The effect of a moratorium is that no winding up or administration procedures may be commenced in relation to that company, any security created by that company over its property cannot be enforced (except with the leave of the Court), no administrative receiver may be appointed pursuant to any security and no other legal process can be taken in relation to that company during such period (except with the leave of the Court). In addition, if the holder of security (the "chargee") created by the company consents or if the Court gives leave, the company may dispose of the secured property as if it were not subject to the security. Where the property in question is subject to a floating charge, the chargee will have the same priority in respect of any property of the company directly or indirectly representing the property disposed of as he would have had in respect of the property subject to the floating charge. Where the security in question is other than a floating charge, it shall be a condition of the chargee's consent or leave of the Court that the net proceeds of the disposal shall be applied towards discharging the sums secured by the security.

The IA 2000 defines "small company" by reference to certain tests contained in section 247(3) of the Companies Act 1985, relating to a company's balance sheet total, turnover and average number of employees. The position as to whether or not a company is a "small company" may change from financial period to financial period, depending on its financial position and average number of employees during that particular period. The Secretary of State for Trade and Industry may also modify the qualifications for eligibility of a company for a moratorium and may also modify the present definition of a "small company". Accordingly, certain of the Borrowers may currently come within the ambit of the "small companies" provisions, such that they may (subject to the exemptions referred to below) be eligible to seek protection from their creditors, in advance of a company voluntary arrangement.

However, pursuant to regulations made by the Secretary of State for Trade and Industry, which came into effect at the same time as the small companies provisions of the IA 2000, companies which are party to a capital market arrangement, under which a party has incurred, or where the agreement was entered into expected to incur, a debt of at least £10 million and which involves the issue of a capital market investment, are (among other categories of exempted company) excluded from being eligible for the moratorium. The definitions of "capital market arrangement" and "capital market investment" are broad and are such that, in general terms, any company which is a party to an arrangement which involves at least £10 million of debt, the granting of security to a trustee, and the issue of a rated, listed or traded debt instrument, is ineligible to seek the benefit of the small

companies protection in any event. As with the small companies "eligibility qualifications", the criteria for exemption as a capital market arrangement may be modified by the Secretary of State from time to time.

With regard to security granted by the Borrowers that are companies incorporated in England and Wales, they may fall within provisions of the IA 2000 or that they may in the future fall within its provisions for the purpose of being eligible to seek court protection from their creditors under the small company moratorium provisions. As regards any Borrower which is a company incorporated in a jurisdiction other than England and Wales, there may also be a risk that each such Borrower could claim to be subject to the provisions of the IA 2000. In the event that they meet the eligibility criteria of being a small company for the purposes of the IA 2000 and to the extent that they have the United Kingdom as their centre of main interests for the purposes of any collective proceedings under Council Regulation EC No. 1346/2000 (the European Union Insolvency Regulation) (which includes voluntary arrangements under insolvency legislation) or, in certain limited circumstances, an establishment in the UK for the purposes of the European Union Insolvency Regulation, then it would appear that they would be able to claim the benefit of the relevant moratorium provisions contained in the IA 2000. It will also be possible for a Borrower to obtain the benefit of a small company's moratorium if a request by the Court of a relevant country or territory for the imposition of such a moratorium is made pursuant to Section 426 of the Insolvency Act.

Limited Partnerships and Administration

The Borrower under the Grays Shopping Centre Loan, which represents 6.0 per cent. of the Aggregate Cut-Off Date Balance, is a limited partnership. Pursuant to the Limited Partnership Act 1907 (the "**1907 Act**"), the person or persons who are registered as general partners of a limited partnership in accordance with the 1907 Act are liable for all debts and obligations of the partnership and the person or persons who are limited partners are generally not liable for the debts or obligations of the partnership beyond the sum of capital or property the limited partners agreed to contribute on entering into the partnership. The principal exception to the above is where a limited partner takes part in the management of the partnership business in which circumstances the limited partner will, pursuant to Section 6 of the 1907 Act, become liable for all debts and obligations of the limited partnership incurred while the limited partner so acts as though the limited partner were a general partner. Limited partnerships registered in England and Wales do not have a legal personality separate from their partners.

By virtue of the Insolvent Partnership Order 1994 (the "**1994 Order**"), certain provisions of the Insolvency Act 1986 apply to an insolvent English partnership, subject to the modifications set out in the 1994 Order. The Insolvency Act 1986 together with the 1994 Order provides a mechanism whereby an insolvent partnership may (i) be put into administration rather than be statutorily wound up i.e. the affairs and business of the partnership and the partnership property are managed by an administrator appointed for the purpose by the court and (ii) propose a partnership voluntary arrangement either with or without a moratorium (provided the partnership satisfies the relevant criteria which correspond to the criteria for small companies (as discussed in "Insolvency Act 2000" above)). The effect of an administration order is, amongst other things, to impose a moratorium so that any winding up petition must be dismissed and no steps may be taken to enforce any security over the partnership property. It directs that the affairs and business of the partnership and the partnership property should be managed by the administrator. During the period of an administration order (i) no order may be made for the winding up of the partnership, (ii) no order may be made on the joint petition for bankruptcy of the members as such, (iii) the court may not decree a dissolution of the partnership under the statutory provisions in the Partnership Act 1890, and (iv) most enforcement proceedings including execution and repossession of goods are barred save with the leave of the court.

It is not clear to what extent (if at all) the Bills of Sale Acts 1878-1882 render void any non-possessory fixed or floating security over personal chattels (as defined) created under a debenture entered into by a partnership. The Bills of Sale Acts apply to any person (other than an incorporated company) and any such security must be granted in compliance with such Acts. The debentures entered into by the partners of such borrowers do not (and cannot) comply with such Acts. Therefore, no confirmation can be given that such Acts do not so apply. Regardless of whether or not such Acts so apply, there is no restriction under such Acts on any person creating fixed security over, among other things, freehold and leasehold property, shares and choses in action.

Insolvency Regimes Differ

Borrowers which are incorporated or established in jurisdictions other than England and Wales or Scotland may be subject to insolvency regimes that differ from that of England and Wales or Scotland. In cases where the Borrower is based in a foreign jurisdiction, enforcement of security may be restricted by local insolvency law, including, for example, any statutory moratorium periods during which enforcement of security interests is prevented. However, the Borrowers are SPEs which are restricted from entering into other transactions and are, therefore, unlikely to be subject to insolvency proceedings instituted by third parties.

Application of Rental Income

In evaluating whether a Borrower would be able to meet its payment obligations in respect of a Loan, each Originator took into account any rental income ("**Rental Income**") that would be generated by the Properties offered as security for that Loan and assumed that such income would be applied towards making payments on the Loan. Investors should assume that no funds other than those derived from the Properties will be available to Borrowers to enable them to make payments due on their Loans, that the security is limited to the relevant land and buildings and does not extend to any moveable assets or chattels at such Properties, nor to the book debts or goodwill of the businesses carried on there.

All Rental Income in respect of all the Properties is paid into a Rent Account either directly or indirectly through a Managing Agent. Each such Rent Account is in the name of the Borrower/Mortgagor and is charged in favour of the relevant Loan Security Trustee as additional security for the Loan. On each Loan Payment Date, the relevant Loan Security Trustee (acting through the Master Servicer) applies funds standing to the credit of the Rent Account related to a particular Loan to meet the relevant Borrower's obligations before distributing the balance as required by the applicable Credit Agreement. Where income from a Property securing a Loan is paid to a Managing Agent before being transferred into the appropriate Rent Account, such Managing Agent has entered into a Duty of Care Agreement with the relevant Loan Security Trustee, undertaking to pay the income (net of certain costs and expenses and other amounts as described in "The Structure of the Accounts – The Borrower Accounts" at page 83) directly into the relevant Rent Account and to hold the Rental Income on trust until it is paid into the Rent Account. To the extent, therefore, that any Managing Agent failed to make payments into a Rent Account as required, the relevant Loan Security Trustee would have recourse to the Managing Agent concerned and the Rental Income held on trust by a Managing Agent would not be available to the creditors of such Managing Agent upon its insolvency.

The charges over the Rent Accounts are expressed to be fixed charges. However, under English law, whether or not a charge over book debts, such as monies standing to the credit of the Rent Accounts, is fixed or floating will depend on the circumstances of the case, and it is possible that such charges will take effect only as floating charges. The Rent Accounts have been structured with a view to ensuring that the relevant Loan Security Trustee (or loan facility agent) will have sole control over the operation of these accounts, thereby increasing the likelihood that the charges will take effect as a fixed charges.

Under English law, the right to receive rental income generated by a property passes to a mortgagee on enforcement of the mortgage without the need for any express assignment, and therefore the claim of the relevant Loan Security Trustee under the relevant security documents or mortgage of a Property would, as a matter of legal priority, defeat any claim by a subsequent chargee or assignee of the Rental Income. There would, however, be no claim against a tenant or occupier who had previously responded to notice of a wrongful assignment by paying rent or other monies to a third party in ignorance of the relevant security documents. The position under Scots law is broadly analogous (i.e. the right to receive payment of rent is deemed to be assigned to the heritable creditor under a standard security upon enforcement).

Assignation of Rents

In relation to the St. Enoch Loan, the relevant Borrower has executed the Assignation of Rents as additional security for its obligations under the relevant Loan. The Assignation of Rents can only be made effective by formal notification ("**intimation**") being made to the tenants under the occupational leases of the relevant Property (and such tenants acting upon the intimation by directing future rent payments to the relevant Rent Account). If the relevant Borrower becomes insolvent before intimation is made it will not thereafter be possible for the relevant Loan Security Trustee to make the Assignation of Rents effective by such intimation. In addition, if prior to such intimation being made (i) the relevant Borrower assigns the relevant Rental Income to a third party which itself makes intimation to the relevant tenants or (ii) any floating charge granted over such

Rental Income by the relevant Borrower in favour of a third party crystallises or (iii) any of such Rental Income is arrested by a third party, the Assignation of Rents will be postponed in priority to the rights of such third party.

While the relevant Loan Security Trustee is entitled to make such intimation at any time and thereby bring the Assignation of Rents into effect, this will only be possible if none of the events referred to in the preceding paragraph has then occurred. In the event of the relevant Borrower's insolvency the Loan Security Trustee would nevertheless have recourse to the relevant Rental Income (subject to any intervening third party rights as detailed above) upon the enforcement of the remainder of the relevant Related Security, since such Rental Income will be secured both by the Standard Security and the floating charge over the assets and undertaking of the relevant Borrower contained in the relevant Debenture (subject in the case of the floating charge to the rights of unsecured creditors detailed under "Factors Relating to the Loans – Enterprise Act 2002" at page 42) and will fall to the relevant Loan Security Trustee with effect from the enforcement of the said charges.

Privity of Contract

The Landlord and Tenant (Covenants) Act 1995 (the "**Covenants Act**") provides that, in relation to leases of property in England and Wales granted after 1st January, 1996 (other than leases granted after that date pursuant to agreements for lease entered into before that date), if an original tenant under such a lease assigns that lease (having obtained all necessary consents (including consent of the landlord if required by the lease)), that original tenant's liability to the landlord, under the terms of the lease, ceases. The Covenants Act provides that arrangements can be entered into whereby on assignment of a lease of commercial property, the original tenant can be required to enter into an "authorised guarantee" of the assignee's obligations to the landlord. Such an authorised guarantee relates only to the obligations under the lease of the original assignee of the original tenant and not any subsequent assignees of the original assignee. The same principles apply to an original assignee if it, in turn, assigns the lease. There can be no assurance that any assignee of a lease of premises within a Property will be of a similar credit quality to the original tenant, or that any subsequent assignees (who in the context of a new tenancy will not be covered by the original tenant's authorised guarantee) will be of a similar credit quality.

The Covenants Act does not apply in Scotland. In Scotland, under common law upon assignation of the tenant's interest, the tenant's liability to the landlord ceases, subject to any express contractual agreement to the contrary. It is not usual for a guarantee from the outgoing tenant to be obtained in Scotland, it being generally in the power of the landlord to withhold consent to the assignation if it is not satisfied with the covenant of the proposed assignee.

To the extent any occupational leases in respect of the Properties were entered into before 1st January, 1996 or pursuant to agreements for lease in existence before 1st January, 1996, the original tenant of a lease of any such Property in England will remain liable under these leases notwithstanding any subsequent assignments, subject to any express releases of the tenant's covenant on assignment.

Statutory Rights of Tenants

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

There are no equivalent statutory rights in relation to tenants of Properties located in Scotland, save that, in the case of retail premises, the Tenancy of Shops (Scotland) Act 1949 entitles the tenant of retail premises in Scotland, whose tenancy has been terminated by notice, to an extension to its lease of up to one year.

Borrowers/Mortgagors as Landlords

Parts of certain Properties are not intended to be let to tenants, but instead comprise common areas such as service ways, public arcades and other communal areas which are used by tenants and visitors to the property collectively, rather than being attributable to one particular unit or tenant. Occupational tenancies will usually contain provisions for the relevant tenant to make a contribution towards the cost of maintaining common areas calculated with reference, among other things, to the size of the premises demised by the relevant tenancy and the amount of use which such tenant is reasonably likely to make of the common areas. The contribution forms part of the service charge payable to the landlord (in addition to the principal rent) in accordance with the terms of the relevant tenancy. The liability of the landlord in each case to provide the relevant services is, however, not conditional upon all such contributions being made and consequently any failure by any tenant to pay the service charge contribution on the due date or at all would oblige the landlord to make good the shortfall from its own monies. The landlord would also need to pay from its own monies service charge contributions in respect of any vacant units.

Where a Borrower or Mortgagor as landlord is in default of its obligations under a tenancy or occupation agreement, a right of set-off could be exercised by a tenant or occupier of the relevant Property in respect of its payment obligations. Although the terms of many of the occupational leases at the Properties exclude tenants' rights of set-off, in certain circumstances a right of set-off could be exercised by a tenant of a Property in respect of its rental obligations, which would reduce the amount available to the Borrower to make payments due under that Borrower's Loan.

Frustration

A lease or other occupational arrangement could, in exceptional circumstances, be frustrated under English law, or Scots law, as the case may be, whereupon the parties need not perform any obligation arising under the relevant agreement after the frustration has taken place. Under English law, frustration may occur where superseding events radically alter the continuance of the arrangement under the agreement for a party thereto, so that it would be inequitable for such an agreement or agreements to continue. Under the equivalent Scots law principle of *rei interitus*, a lease will (subject to express agreement to the contrary) automatically be terminated if the leased property is destroyed to the extent that it is no longer tenantable or if any event occurs which otherwise precludes the performance of the parties' rights and obligations under the lease. If an occupational lease of a Property were to be frustrated, the relevant Borrower's ability to generate cash-flow would be compromised, as would its ability to make payments of interest and repayments of principal on its Loan.

Compulsory Purchase

Any property in the United Kingdom may at any time be compulsorily acquired by, among others, a local or public authority or a governmental department, generally in connection with proposed redevelopment or infrastructure projects. If a compulsory purchase order is made in respect of a property (or part thereof) in the United Kingdom, compensation is payable to each person (including any occupational tenant) with a proprietary interest in the Property on the basis of the open market value of the relevant proprietor's interest at the time of the compulsory purchase. Upon completion of a compulsory purchase in respect of a Property, the occupational tenants would cease to be obliged to make any further rental payments under their occupational lease. There is often a delay between the completion of the compulsory purchase and the payment of compensation, the length of which will largely depend upon the ability of the property owner and the entity acquiring the property to agree on the open market value. Should such a delay occur in the case of a Property, an event of default may occur under the relevant Credit Agreement. Furthermore, there can be no assurances that any compensation paid to a Borrower would be sufficient to meet the Borrower's liabilities in respect of the relevant Loan in full.

No compulsory purchase proposals were revealed in the certificates of title issued to either Originator by its external legal advisers in connection with the origination of the Loans but there can be no assurances that such orders will not be made in the future.

Replacement of Master Servicer and Master Special Servicer

In order for the termination of the appointment of the Master Servicer or Master Special Servicer to be effective under the Master Servicing Agreement a substitute must have been appointed. The appointment of any substitute Master Servicer or Master Special Servicer will not become effective unless certain conditions are met, including that each Rating Agency has confirmed that such appointment will not result in the then-

current ratings of the Notes being downgraded, withdrawn or qualified. However, there is no guarantee that an appropriate substitute could be found who would be willing to service the relevant Loans and the Related Security. Furthermore, the ability of any substitute to service effectively the relevant Loans and Related Security would depend on the information and records made available to it.

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

Conflicts of Interest

During the course of their business activities, the Master Servicer, the Master Special Servicer, any sub-servicer or sub-special servicer appointed by them and any respective affiliates or any such person may operate, service, acquire or sell properties, or finance loans secured by properties, which are in the same markets as the Properties. In such cases, the interests of any of those parties or their affiliates or the interests of other parties for whom they perform servicing functions may differ from, and compete with, the interests of the Issuer, and decisions made with respect to other real-estate assets serviced by them or in which they may have an interest may adversely affect the value of the Properties. However, if in the course of providing the services under the Master Servicing Agreement, a conflict arises between the interests of the Master Servicer or Master Special Servicer or any of their respective affiliates on the one hand and the interests of the Noteholders on the other, the interests of the Noteholder shall prevail. The same rules will apply to any sub-servicer or sub-special servicer appointed by the Master Servicer or Master Special Servicer, as the case may be. The Master Special Servicer is responsible for servicing the Loans in the circumstances described in "Servicing – Transfer of Powers to the Master Special Servicer" at page 126. In addition, the Master Special Servicer's approval (which must be given or withheld in accordance with the Servicing Standard) must be obtained prior to the Master Servicer taking certain actions in relation to Loans which are not specially serviced. The Controlling Party, whose interests may conflict with the interest of the holders of other classes of Notes, is entitled to require the Note Trustee to instruct the Issuer Security Trustee to replace the Master Special Servicer with a person who is acceptable to the Controlling Party and who may (but need not necessarily) be an affiliate of a Noteholder who holds Notes of the Controlling Party. The Master Special Servicer or its affiliates may, at any time, hold any or all of the Notes, including those of the Controlling Party, and the holders of the class of Notes so held may have interests which conflict with the interests of the holders of the other classes of Notes.

Changes to the Loan Pool

Unless specified otherwise, information with respect to the Loans and the Loan Pool relates to the Loans and the Loan Pool as at the Cut-Off Date, being 30th June, 2005. However, since the Cut-Off Date, the aggregate principal amount of the Loans has, as a result of amortisation, reduced by £62,480.

Account Bank

In respect of the Halton Lea Shopping Centre Loan, the Money Centre Loan and the Environment Agency Building Loan, accounting for, in aggregate, 12.9 per cent. of the Aggregate Cut-Off Date Balance, the various bank accounts that are required to be opened and maintained by the respective Borrowers in respect of the relevant Loans are currently maintained with an account bank that is a wholly owned subsidiary of a bank the long term debt obligations of which are currently rated BBB+/BBB+ by Fitch and S&P respectively and the short term debt obligations of which are currently rated F2/A-2 by Fitch and S&P respectively. There is, therefore, a higher risk that such account bank may become insolvent than would be the case if such account bank had a higher investment grade rating. In the event that such account bank were to become insolvent at a time when any accounts of the relevant Borrowers were maintained with such account bank, any amount standing to the credit of such accounts would not be available to such Borrowers to make payments due in relation to the relevant Loans.

Factors Relating to the Notes

Liability under the Notes

The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by the MS Loan Originator, the HRE Loan Originator or of or by the Managers, the Master Servicer, the Master Special Servicer, the HRE Loan Sub-Servicer, the HRE Loan Sub-Special Servicer, the Cash Manager, the Note Trustee, the Issuer Security Trustee, any Loan Security Trustee, the Corporate Services Provider, the Share Trustee, the Nominee Trustee, the PECO Holder, the Paying Agents, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Issuer Swap Provider, the Issuer Swap Guarantor, the Exchange Agent or the Operating Bank or any of their respective affiliates and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

Ratings of Notes and Confirmations of Ratings

The ratings assigned to the Notes by the Rating Agencies are based on the Loans, the Related Security, the Properties and other relevant structural features of the transaction, including, among other things, the short-term (and also, in the case of the Issuer Swap Guarantor, the long-term), unsecured, unguaranteed and unsubordinated debt ratings of the Liquidity Facility Provider and the Issuer Swap Guarantor, and reflect only the views of the Rating Agencies. The ratings address the likelihood of full and timely receipt by any of the Noteholders of interest on the Notes and the likelihood of receipt by any Noteholder of principal of the Notes by the Maturity 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 any of the Rating Agencies as a result of changes in or unavailability of information or if, in the judgement of the Rating Agencies, circumstances so warrant. A qualification, downgrade or withdrawal of any of the ratings mentioned above may impact upon both the value of the Notes or their marketability in secondary market transactions.

The Rating Agencies will be notified of the exercise of certain discretions by or at the direction of the Master Servicer and the Master Special Servicer, such as amendments to and waivers of Loan Documentation and certain discretions of which the Issuer Security Trustee is given notice prior to their exercise. However, the Rating Agencies are under no obligation to revert to the Master Servicer or Master Special Servicer regarding the impact of the exercise of such discretion on the ratings of the Notes and any decision as to whether or not to confirm, downgrade, withdraw or qualify the ratings of all classes or any class of Notes based on such notification may be made at the sole discretion of the Rating Agencies at any time, including after the relevant action has been taken.

Where, after the Closing Date, a particular matter such as that referred to in the preceding paragraph or any other matter involves the Rating Agencies being requested to confirm the then-current ratings of the Notes, the Rating Agencies, at their sole discretion, may or may not give such confirmation. It should be noted that, depending on the timing of delivery of the request and any information needed to be provided as part of any such request, it may be the case that the Rating Agencies cannot provide their confirmation in the time available or at all and they will not be held responsible for the consequences thereof. Any confirmation received from the Rating Agencies, if given, will be given on the basis of the facts and circumstances prevailing at the relevant time and in the context of cumulative changes to the transaction of which the Notes form part since the Closing Date. Furthermore, in the event that the Rating Agencies confirm the ratings, this will be on the basis of full and timely receipt by the Noteholders of interest on the Notes and the likelihood of receipt of principal of the Notes by the Maturity Date. There is no assurance that after any such confirmation any such ratings will continue for any period of time or that they will not be reviewed, revised, suspended or withdrawn entirely by one or more of the Rating Agencies for any of the reasons specified above in relation to the original ratings of the Notes. As such a confirmation of the ratings of the Notes by the Rating Agencies is not a representation or warranty that, as a result of a particular matter, the interest and principal due under the Notes will be paid or repaid in full and when due.

Agencies other than the Rating Agencies could seek to rate the Notes and if such unsolicited ratings are lower than the comparable ratings assigned to the Notes by the Rating Agencies, those unsolicited ratings could have an adverse effect on the value and the marketability of the Notes. For the avoidance of doubt and unless the context otherwise requires, any references to "**ratings**" or "**rating**" in this Prospectus are to ratings assigned by the specified Rating Agencies only.

Absence of Secondary Market; Limited Liquidity

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

Availability of Liquidity Facility

Pursuant to the terms of the Liquidity Facility Agreement, the Liquidity Facility Provider will provide a committed facility for drawings to be made in the circumstances described in "Credit Structure – Liquidity Facility" at page 136. The facility will, however, be subject to an initial maximum aggregate principal amount of £18,500,000 which will, in certain specified circumstances, be reduced. The amount available to be drawn under the Liquidity Facility on any Interest Payment Date may be less than the Issuer would have received, had full and timely payments been made in respect of all amounts owing to the Issuer during the related Collection Period. In such circumstances, insufficient funds may be available to the Issuer to pay in full interest due on the Notes. The Liquidity Facility Agreement is not available to meet shortfalls in principal.

United States Federal Income Tax Characterisation of the Notes

The Issuer intends to take the position that, while the matter is not clear and there is no authority directly on point, (A) the Notes, other than the Class D Notes, are debt of the Issuer for United States federal income tax purposes and (B) the Class D Notes, although denominated as debt, are equity in the Issuer for United States federal income tax purposes. The timing and character of income under the Notes to an investor may differ substantially depending on whether such Notes are treated as debt or equity for United States federal income tax purposes. The Issuer will not obtain any rulings from the United States Internal Revenue Service or opinions of counsel on the characterisation of the Notes and the Class X Certificates and there can be no assurance that the IRS or the courts will agree with the positions of the Issuer. For further information, see "United States Federal Income Taxation" at page 177.

European Union Directive on the Taxation of Savings Income

The European Union has adopted a Directive regarding the taxation of savings income, under which Member States are required from 1st July, 2005 to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

Withholding Tax under the Notes

In the event any withholding or deduction for or on account of taxes is imposed on or is otherwise applicable to payments of interest on or repayments of principal of the Notes to Noteholders, the Issuer is not obliged to gross-up or otherwise compensate Noteholders for the lesser amounts the Noteholders will receive as a result of such withholding or deduction.

Introduction of the Euro

If at any time there is a change of currency in the United Kingdom such that the Bank of England recognises a different currency or currency unit or more than one currency or currency unit as the lawful currency of the United Kingdom, then references in, and obligations arising under, the Notes outstanding at the time of such change and which are expressed in sterling will be translated into, and any amount payable will be paid in, the currency or currency unit of the United Kingdom, and in the manner designated by the Principal Paying Agent. Any such translation will be at the official rate of exchange recognised for that purpose by the Bank of England.

Where such a change in currency occurs, the Notes and the Conditions will be amended in the manner agreed between the Issuer and the Note Trustee so as to reflect that change and, so far as practicable, to place the Issuer, the Note Trustee, the Issuer Security Trustee and the Noteholders in the same position as if no

change in currency had occurred. Such amendments are to include, without limitation, changes required to reflect any modification to business day or other conventions arising in connection with a change in currency. All such amendments will be binding on the Noteholders. Notification of the amendments will be made in accordance with Condition 14 at page 170.

Change of Law

The structure of the issue of the Notes and the ratings which are to be assigned to them are based on English law, Scots law and New York law and administrative practice in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible change to English law, Scots law or New York law or administrative practice after the date of this Prospectus, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Notes.

Insolvency of Issuer

The Enterprise Act 2002 abolished the ability of mortgagees and floating charge holders generally to appoint an administrative receiver over the assets of a mortgagor or chargor company, where the relevant security was created after 15th September, 2003.

However, it is still possible for a floating charge holder to appoint an administrative receiver in relation to certain capital market arrangements. Any such arrangement must involve a party who incurs or expects to incur a debt of at least £50,000,000 and the issue of a capital market investment that is rated, listed or traded (or designed to be rated, listed or traded). Such arrangement must also involve: (a) a grant of security to: (i) a person holding it as trustee for a person who holds a capital market investment issued by a party to the arrangement; or (ii) a party to the arrangement who issues a capital market investment; or (iii) a person who holds the security as trustee for a party to the arrangement in connection with the issue for a capital market investment; or (iv) a person who holds the security as trustee for a party to the arrangement who agrees to provide finance (including the provision of an indemnity) to another party; (b) at least one party guaranteeing or providing security in respect of the performance of obligations of another party; or (c) an investment of a kind described in Articles 83 to 85 of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (Options, Futures and Contracts for differences). It is anticipated that the Issuer, upon the Notes being issued, will satisfy these criteria and that, consequently, it will be possible for the Issuer Security Trustee to appoint an administrative receiver over the assets of the Issuer under the terms of the Deed of Charge and Assignment, thus preventing the subsequent appointment of an administrator of the Issuer by any other party.

Under the Insolvency Act 1986 (as amended by the Insolvency Act 2000), certain "small" companies are entitled to a short term moratorium in filing for a voluntary arrangement. The effect of this would be to allow such company protection from its creditors (in that no creditor will be entitled to take enforcement action without the leave of the court) for an initial period of 28 days, which can be extended for a further two months. A company will be "small", in broad terms, if in any financial year it satisfies two or more of the requirements set out in Section 247(iii) of the Companies Act 1985, namely: (a) its turnover is not more than £5,600,000; (b) its balance sheet totals not more than £2,800,000; and (c) it does not have more than 50 employees. However, a small company will be excluded from eligibility for such a moratorium if it is a party to an agreement which is or forms part of certain capital market arrangements under which: (i) the party has incurred (or when the agreement was entered into was expected to incur) a debt of at least £10,000,000; and (ii) the arrangement involves the issue of a capital market investment. Such arrangement must also involve: (a) the grant of security to a person holding it as trustee for a person who holds a capital market investment issued by a party to the arrangement; (b) at least one party guaranteeing the performance of obligations of another party; (c) at least one party providing security in respect of the performance of obligations of another party; or (d) an investment described in Articles 83-85 of the Financial Securities and Markets Act 2000 (Regulated Activities) Order 2001 (SI 2001/554). It is expected, therefore, that the Issuer will fall within this exemption.

Section 176A of the Insolvency Act 1986 (as to which the "Factors relating to the Loans – Enterprise Act 2002" at page 42) will apply to the Deed of Charge and Assignment granted by the Issuer. Nonetheless, in the case of the Issuer, it is not anticipated that there will be many, if any, material unsecured or preferential creditors. Currently, the maximum value of the prescribed part which can be made available to unsecured creditors is £600,000.

Limited Resources of the Issuer

The ability of the Issuer to meet its obligations under the Notes will be dependent on the receipt by it of principal and interest from the Borrowers under the Loans and the receipt of funds (if due) from the Issuer Swap Provider under the Issuer Swap Transactions. In addition, the Issuer will have available to it (subject to satisfaction of the conditions for drawing) drawings under the Liquidity Facility Agreement. Other than the foregoing, prior to the enforcement of the Issuer Security, the Issuer is not expected to have any other funds available to it to meet its obligations under the Notes and in respect of making any payment ranking in priority to, or *pari passu* with, the Notes. The junior classes of Notes in particular may be adversely affected by high levels of principal prepayments and/or defaults on the Loans.

Effect of the Class X Amounts

An effect of the Class X Amounts will be that if the Issuer is required to pay any fees, costs and expenses, whether to a Secured Party or to a third party creditor, that are unusual and extraordinary in nature (including the repayment of Liquidity Drawings and interest thereon) then, to the extent that such fees, costs and expenses cannot be recouped from the relevant Borrower prior to the following Interest Payment Date or fall to be paid and are paid from amounts that would otherwise be paid to the Junior Lenders, a shortfall in funds necessary to pay interest on the then junior classes of Notes will occur.

Post-Enforcement Call Option

If the Issuer Security Trustee determines in its sole opinion and discretion that (i) all amounts outstanding under the Notes have become due and payable and (ii) that there is no reasonable likelihood of there being any further realisations (whether arising from the enforcement of the Notes or otherwise) available to pay amounts outstanding under the Notes, the PECO Holder will have the option to purchase all the Notes then outstanding in consideration for the payment of £0.01 in respect of each Note. Upon the exercise of the Post-Enforcement Call Option, the Noteholders will cease to have any rights against the Issuer.

Impact of Work-out Fee and Liquidation Fee

The payment of a Work-out Fee or a Liquidation Fee to the Master Special Servicer will reduce the amount available to the Issuer to make repayments of principal on the Notes. No assurances can be given regarding the amount of any such reduction or its impact on any class or classes of Notes, including those classes which rank in priority to the Controlling Party. For further details of the circumstances in which a Liquidation Fee or a Work-out Fee may become payable and the amount thereof, see "Servicing – Payments to the Master Servicer and Master Special Servicer" at page 128.

Deferral of interest on Junior Notes

If, on any Interest Payment Date, prior to delivery of an Enforcement Notice, there are insufficient funds available to the Issuer to pay accrued interest on any class of Notes as a result of the aggregate Loan balance being less than the aggregate Principal Amount Outstanding on the Notes, an NAI Shortfall Amount will arise and the Principal Amount Outstanding of the most junior class(es) of Notes will be reduced for the purposes of calculating the interest due and payable on such class(es) of Notes by the applicable NAI Amount. The difference between the amount of interest that is due and payable on an Interest Payment Date and the amount of interest that would have been due and payable on such Interest Payment Date had no NAI Amount been applied to the Principal Amount Outstanding of such Note will be deferred and will be due and payable on, and shall itself accrue interest until the date on which such Note is redeemed in full.

In addition, notwithstanding the existence of any NAI Shortfall Amount, if, on any such Interest Payment Date there are still insufficient funds available to the Issuer to pay accrued interest on any class of Notes other than the most senior class of Notes, the Issuer's liability to pay such accrued interest will be treated as not having fallen due and will, subject as specified below, be deferred until the next following Interest Payment Date on which the Issuer has, in accordance with the Pre-Enforcement Payments Priorities, sufficient funds available to pay such deferred amounts (including any interest accrued thereon). Interest will, however, accrue on such deferred interest. The Issuer is highly unlikely to have sufficient funds to pay any amounts of deferred interest (and interest accrued thereon) on the final redemption date of the Notes of any class.

Basel Accord

In June 1999, the Basel Committee on Banking Supervision (the "**Basel Committee**") issued proposals for the reform of the 1988 Capital Accord and proposed a new capital adequacy framework which would place enhanced emphasis on risk sensitivity and market discipline. Following an extensive consultation period on its proposals, the Basel Committee announced on 11th May, 2004 that it had achieved consensus on the new framework (the "**New Basel Capital Accord**"). The text of the New Basel Capital Accord was published on 26th June, 2004. This text will serve as the basis for national and supra national rule-making and approval processes to continue and for banking organisations to complete their preparation for the implementation of the New Basel Capital Accord at year end 2006.

The European Commission issued its consultative paper on the EU Capital Adequacy Directive ("**CAD 3**") on 14th July, 2004. CAD 3 will implement the New Basel Capital Accord in the EU capital adequacy framework and is proceeding on a parallel track to the New Basel Capital Accord. If the New Basel Capital Accord is adopted in its current form (including via CAD 3) the proposals could affect the risk weighting of the Notes in respect of certain investors if those investors are regulated in a manner which will be affected by the proposals. Consequently, recipients of this Prospectus should consult their own advisers as to the consequences to and effect on them of the potential application of the New Basel Capital Accord proposals.

Hedging Risks

All of the MS Loans bear interest at a fixed rate while each class of the Notes bears interest at a rate based on three-month LIBOR plus a margin. In order to hedge the mismatch of such interest rates, the Issuer will enter into the Interest Rate Swap Transactions pursuant to the Issuer Swap Agreement. The Lloyds Building Loan bears interest at a floating rate. However, the interest periods under the Lloyds Building Loan do not coincide with the Interest Periods under the Notes. In order to hedge against the mismatch in interest basis, the Issuer will enter into the Basis Swap Transaction pursuant to the Issuer Swap Agreement. However, there can be no assurance that the Issuer Swap Transactions will adequately address unforeseen hedging risks. Moreover, in certain circumstances, the Issuer Swap Agreement may be terminated and as a result the Issuer may be unhedged if replacement interest rate swap transactions cannot be entered into.

Introduction of International Financial Reporting Standards

The Issuer's UK corporation tax position depends to a significant extent on the accounting treatment applicable to the Issuer. As the Issuer was established after 1st January, 2005, the Issuer's accounts are required to comply with International Financial Reporting Standards ("**IFRS**") or with new UK Financial Reporting Standards reflecting IFRS ("**new UK GAAP**"). There is a concern that companies such as the Issuer might, under either IFRS or new UK GAAP, report profits or losses for accounting purposes, and accordingly for tax purposes (unless tax legislation provides otherwise), which bear little or no relationship to the company's cash position. However, the Finance Act 2005 (which received Royal assent on 7th April, 2005) requires a "securitisation company" to prepare tax computations for its periods of account beginning on or after 1st January, 2005 and ending before 1st January, 2007 on the basis of UK GAAP as applicable up to 31st December, 2004, notwithstanding the requirement to prepare statutory accounts under IFRS or new UK GAAP. The Issuer has been advised that it will be a "securitisation company" for these purposes.

The stated policy of HM Revenue & Customs is that the tax neutrality of securitisation companies in general should not be disrupted as a result of the transition to IFRS or new UK GAAP, and it is working with participants in the securitisation industry to establish a permanent regime that would prevent any such disruption. The Finance Act 2005 enables regulations to be made to establish such a regime. However, if (for whatever reason) measures are not introduced to deal with the corporation tax position of such companies in respect of their periods of account ending on or after 1st January, 2007, the Issuer (like other UK securitisation companies) may then be required to recognise profits or losses as a result of the application of IFRS or new UK GAAP which could have tax effects not contemplated in the cashflows for the transaction, and as such adversely affect the Issuer and consequently the Noteholders.

Transparency Directive

In December 2004, Directive 2004/109/EC (the "**Transparency Directive**") was formally adopted. The Transparency Directive relates to information about the issuers whose securities are admitted to trading on a regulated market in the European Union ("**EU**") such as the Irish Stock Exchange. The Transparency Directive

is required to be implemented in EU member states by 20th January, 2007. Should the Transparency Directive impose requirements on the Issuer that it in good faith determines are unduly burdensome, the Issuer may de-list the Notes in accordance with the rules of the Irish Stock Exchange. The Issuer will use its best endeavours to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system or market outside the EU (or on an alternative non-regulated market in the EU) and outside the United States, as it may decide, in any case such that the Transparency Directive would not apply to the Issuer. If such an alternative admission is not available to the Issuer or is, in the Issuer's good faith opinion, unduly burdensome, an alternative admission may not be obtained. Although no assurance is made as to the liquidity of the Notes as a result of the listing on the Irish Stock Exchange, de-listing the Notes from the Irish Stock Exchange may have a material effect on the ability to resell the Notes in the secondary market.

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

THE ISSUER

The Issuer, European Prime Real Estate No. 1 plc, was incorporated in England and Wales on 27th June, 2005 (registered number 5492055), as a public company with limited liability under the Companies Acts 1985. The registered office of the Issuer is at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE. The telephone number for the Issuer is +44 20 7648 7480. The Issuer has no subsidiaries.

1. Principal Activities

The principal objects of the Issuer are set out in clause 4 of its Memorandum of Association and are, among other things, to invest in mortgage loans secured on commercial or other properties within the United Kingdom, to manage and administer mortgage loan portfolios, to borrow, raise and secure the payment of money including by the creation and issue of bonds, debentures, notes or other securities charged on the whole or any part of the Issuer's property or assets.

The Issuer has not commenced operations and has not engaged, since its incorporation, in any activities other than those incidental to its incorporation and registration as a public limited company under the Companies Act 1985, the authorisation of the issue of the Notes and of the other documents and matters referred to or contemplated in this Prospectus and matters which are incidental or ancillary to the foregoing. As at the date of this Prospectus no accounts have yet been drawn up in respect of the Issuer.

The Issuer will covenant to observe certain restrictions on its activities, which are detailed in Condition 3(A) at page 152, the Deed of Charge and Assignment and the Trust Deed. In addition, the Issuer will covenant in the Trust Deed to provide written confirmation to the Note Trustee, on an annual basis, that no Event of Default or Potential Event of Default (or other matter which is required to be brought to the Note Trustee's attention) has occurred.

2. Directors and Secretary

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

Name	Business Address	Principal Activities
Adrian Gower	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Corporate Services Provider
Capita Trust Corporate Limited	7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE	Corporate Services Provider

The company secretary of the Issuer is Capita Trust Secretaries Limited, a company incorporated in England and Wales (registered number 5322656), whose business address is 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE.

3. Capitalisation and Indebtedness

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

Share Capital

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

49,999 of the issued shares (being 49,998 shares of £1 each, each of which is paid up as to 25 pence and one share of £1 which is fully paid) in the Issuer are held by the PECO Holder. The remaining one share in the Issuer (which is fully paid) is held by Capita Trust Nominees No. 1 Limited (registered number 5322518) (the

"**Nominee Trustee**") as nominee for the PECO Holder. The entire issued share capital of the PECO Holder is held by Capita Trust Corporate Limited (registered number 5322525) (the "**Share Trustee**") as trustee of the European Prime Real Estate No. 1 Securitisation Trust pursuant to a Share Declaration of Trust declared by the Share Trustee on or about the Closing Date.

Loan Capital

Class A Commercial Mortgage Backed Floating Rate Notes due 2014	£286,900,000
Class B Commercial Mortgage Backed Floating Rate Notes due 2014	£20,000,000
Class C Commercial Mortgage Backed Floating Rate Notes due 2014	£25,200,000
Class D Commercial Mortgage Backed Floating Rate Notes due 2014	£15,658,000
Total Loan Capital	£347,758,000

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

THE PARTIES

Morgan Stanley Bank International Limited

Morgan Stanley Bank International Limited ("**MS Bank**") is a wholly owned subsidiary of Morgan Stanley ("**Morgan Stanley**"). MS Bank is active in retail lending through the Morgan Stanley Dean Witter credit card as well as wholesale loan origination and securitisation in the United Kingdom and Europe. MS Bank is incorporated in England and Wales (registered number 3722571) and its London branch is located at 25 Cabot Square, Canary Wharf, London E14 4QA.

Hypo Real Estate Bank International

Hypo Real Estate Bank International ("**HRE Bank**") is an affiliate of Hypo Real Estate Holding AG based in Munich, Germany which in turn is part of the Hypo Real Estate Group (which trades under the symbol "HRX" on the MDAX). HRE Bank is a provider of international commercial real estate structured finance solutions and has branches in nine European cities including London, with subsidiaries in New York and Tokyo and a representative office in Hong Kong. HRE Bank is incorporated in Ireland (registered number 209149) and has its registered office at International House, 3 Harbourmaster Place, IFSC, Dublin 1. Its London branch is located at 110 Cannon Street, London EC4N 6EW (as of 1st August, 2005, HRE Bank's London branch will be located at 21st Floor, 30 St. Mary Axe, London EC3A 8BF).

Note Trustee

Capita Trust Company Limited, a limited liability company incorporated in England and Wales (registered number 0239726) whose principal office is at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE, will be appointed as Note Trustee pursuant to the Trust Deed to represent the interests of the Noteholders. The Note Trustee will agree to hold the benefit of the covenants of the Issuer contained in the Trust Deed on trust for the Noteholders.

The Trust Deed, among other things:

(a) sets out when, and the terms upon which, the Note Trustee will be entitled or obligated, as the case may be, to take steps to enforce the Issuer's obligations under the Notes (or certain other relevant documents);

(b) contains various covenants of the Issuer relating to repayment of principal and payment of interest in respect of the Notes, to the conduct of its affairs generally and to certain ongoing obligations connected with its issuance of the Notes;

(c) provides for the remuneration of the Note Trustee, the payment of expenses incurred by it in the exercise of its powers and performance of its duties and provides for the indemnification of the Note Trustee against liabilities, losses and costs arising out of the Note Trustee's exercise of its powers and performance of its duties;

(d) sets out whose interests the Note Trustee should have regard to when there is a conflict between the interests of different classes of Noteholder;

(e) provides that the determinations of the Note Trustee will be conclusive and binding on the Noteholders;

(f) sets out the extent of the Note Trustee's powers and discretions, including its rights to delegate the exercise of its powers or duties or agents, to seek and act upon the advice of certain experts and to rely upon certain documents without further investigation;

(g) sets out the scope of the Note Trustee's liability for any breach of duty or breach of trust, negligence or default in connection with the exercise of its duties;

(h) sets out the terms upon which the Note Trustee may, without the consent of the Noteholders, waive or authorise any breach or proposed breach of covenant by the Issuer or determine that an Event of Default (as defined in Condition 9 at page 164) or any event, condition or act, which, with the giving of notice and/or the

lapse of time and/or the Note Trustee issuing any relevant notice, would constitute an Event of Default (any such event, condition or act, a "**Potential Event of Default**") will not be treated as such;

(i) sets out the terms upon which the Note Trustee may, without the consent of the Noteholders, make or sanction any modification to the Conditions or to the terms of the Trust Deed or certain other relevant documents; and

(j) sets out the requirements for and organisation of Noteholder meetings.

The Trust Deed also contains provisions governing the retirement or removal of the Note Trustee and the appointment of a successor Note Trustee. The Note Trustee may at any time and for any reason resign as Note Trustee upon giving not less than three months' prior written notice to the Issuer. The holders of the Notes of each class, acting by Extraordinary Resolution, may together remove the Note Trustee from office. The Issuer will, in the event of a trustee giving notice or being removed in accordance with the provisions of the Trust Deed, use all reasonable endeavours to procure the appointment of a new trustee as soon as reasonably practicable thereafter. The retirement or removal of any such trustee shall not become effective until a successor trustee is appointed.

The appointment of a successor Note Trustee will be made by the Issuer or, where the Note Trustee has given notice of its resignation and the Issuer has failed to make any such appointment by the expiry of the applicable notice period, by the Note Trustee itself. No person may be appointed to act as a successor Note Trustee unless that person has been previously approved by an Extraordinary Resolution of each class of the Noteholders. No retirement or removal of the Note Trustee (or any successor Note Trustee) will be effective until a successor Note Trustee has been appointed.

Issuer Security Trustee

Capita Trust Company Limited, a limited liability company incorporated under the laws of England and Wales (with registered number 239726), is the Issuer Security Trustee. The principal office of Capita Trust Company Limited is at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE.

Master Servicer, Master Special Servicer and MS Loan Security Trustee

Morgan Stanley Mortgage Servicing Limited ("**MSMS**") is a specialist loan servicing company and a subsidiary of Morgan Stanley, operating in the United Kingdom and certain other European countries. MSMS is incorporated in England and Wales (registered number 3411668) and has its registered office at 25 Cabot Square, Canary Wharf, London E14 4QA. MSMS is rated by Fitch as a CMBS primary servicer with a rating of CPS2+(UK) and as a CMBS Special Servicer with a rating of CSS3+(UK). S&P have also affirmed MSMS's ranking as a commercial loan servicer for the UK and Ireland as "average".

HRE Loan Sub-Servicer, HRE Loan Sub-Special Servicer and HRE Loan Security Trustee

HRE Bank was formed (by name) in September 2003 after the de-merger of the international commercial real estate lending business from Bayerische Hypo-und Vereinsbank AG, and has been originating and servicing its own commercial real estate loan portfolio since 1989 in the United Kingdom. At the date of this Prospectus HRE Bank is acting as servicer on two other CMBS transactions. HRE Bank is not currently a rated servicer or special servicer. HRE Bank is incorporated in Ireland (registered number 209149) and has its registered office at International House, 3 Harbourmaster Place, IFSC, Dublin 1 and its London branch is located at 110 Cannon Street, London EC4N 6EW (as of 1st August, 2005, HRE Bank’s London branch will be located at 21st Floor, 30 St. Mary Axe, London EC3A 8BF).

Issuer Swap Provider

Morgan Stanley Capital Services Inc. ("**MSCS**"), a Delaware corporation, is a wholly owned unregulated subsidiary of Morgan Stanley which conducts forward payment business, including interest rate swaps, exchange rate swaps and interest rate guarantees with institutional clients. The principal office of MSCS is located at 1585 Broadway, New York, New York 10036.

Issuer Swap Guarantor

Morgan Stanley, whose principal office is located at 1585 Broadway, New York, New York 10036, USA, (the "**Issuer Swap Guarantor**") is a global financial services firm that maintains three primary businesses: securities, asset management and credit services. Morgan Stanley combines global investment banking (including the origination of underwritten public offerings and mergers and acquisitions advice) with institutional sales and trading, and provides investment and global asset management products and services and, primarily through its Discover Card brand, consumer credit products. Morgan Stanley is incorporated in the State of Delaware.

MSCS's obligations under the Issuer Swap Agreement benefit from an unconditional, irrevocable guarantee of Morgan Stanley under the Issuer Swap Guarantee. If MSCS ceases to be the Issuer Swap Provider, Morgan Stanley will cease to be the Issuer Swap Guarantor. The long-term, unsecured, unsubordinated debt obligations of Morgan Stanley are rated "AA-" by Fitch and "AA-" by S&P, and the short-term, unsecured, unsubordinated debt obligations of Morgan Stanley are rated "F1+" by Fitch and "A-1" by S&P.

Liquidity Facility Provider

Calyon S.A. a société anonyme, acting through its London branch located at Broadwalk House, 5 Appold Street, London EC2A 2DA will act as the Liquidity Facility Provider under the Liquidity Facility Agreement. The long-term, unsecured, unsubordinated debt obligations of the Liquidity Facility Provider are rated "AA" by Fitch and "AA-" by S&P, and the short-term, unsecured, unsubordinated debt obligations of the Liquidity Facility Provider are rated "F1+" by Fitch and "A-1+" by S&P.

Principal Paying Agent, Agent Bank, Operating Bank and Exchange Agent

The Bank of New York, a New York banking corporation acting through its London branch at 48th Floor, One Canada Square, London E14 5AL, will be appointed as Principal Paying Agent and Agent Bank under the Agency Agreement, as Operating Bank under the Cash Management Agreement and as Exchange Agent under the Exchange Rate Agency Agreement. In its capacity as the Operating Bank, The Bank of New York will act as the operating bank in relation to the Transaction Account, Swap Collateral Cash Account, Swap Collateral Custody Account and, in certain circumstances, the Stand-by Account through its office located at 48th Floor, One Canada Square, London E14 5AL. The long-term, unsecured, unsubordinated debt obligations of The Bank of New York are rated "AA-" by Fitch and "AA-" by S&P, and the short-term, unsecured, unsubordinated debt obligations of The Bank of New York are rated "F1+" by Fitch and "A-1+" by S&P.

Registrar

The Bank of New York, a New York banking corporation acting through its New York branch at 101 Barclay Street, New York NY 10286 will be appointed as Registrar under the Agency Agreement.

Sub-Paying Agent

AIB/BNY Fund Management (Ireland) Ltd. a limited company incorporated under the laws of the Republic of Ireland (registered number 218007), acting through its office at Guild House, Guild Street, IFSC, Dublin, Ireland will be appointed as Sub-Paying Agent under the Agency Agreement.

Cash Manager and Reporting Agent

Wells Fargo Securitisation Services Limited, a limited liability company incorporated in England and Wales (registered number 4409492) whose registered office is at 6-8 Underwood Street, London N1 7JQ, will be appointed as both Cash Manager and Reporting Agent under the Cash Management Agreement. As Reporting Agent, it will carry out certain reporting functions, including, among other things, the posting of investor reports made available to Noteholders and certain other persons on a quarterly basis via its secure website.

Corporate Services Provider and Share Trustee

Capita Trust Corporate Limited, a limited liability company incorporated in England and Wales (registered number 5322525), whose principal office is at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE will be appointed as Corporate Services Provider and Share Trustee under the Corporate Services Agreement and the Share Declaration of Trust, respectively.

Nominee Trustee

Capita Trust Nominees No. 1 Limited, a limited liability company incorporated in England and Wales (registered number 5322518), whose principal office is at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE, will be appointed as Nominee Trustee under the Nominee Declaration of Trust.

PECO Holder

EPRE 1 PECO Holder Limited a limited liability company incorporated in England and Wales (registered number 5491707),whose registered office is at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE will be appointed as PECO Holder under the Post Enforcement Call Option Agreement.

THE BORROWERS

The Loan Pool consists of eight Loans. Five of the Loans (accounting for 26.2 per cent. of the Aggregate Cut-Off Date Balance) have been made to limited liability companies. The Lloyds Building Loan (accounting for 40.5 per cent. of the Aggregate Cut-Off Date Balance) has been made to a German limited liability partnership. The Grays Shopping Centre Loan (accounting for 6.0 per cent. of the Aggregate Cut-Off Date Balance) has been made to an English limited partnership. The St. Enoch Loan (accounting for 27.3 per cent. of the Aggregate Cut-Off Date Balance) has been made to a Jersey unit trust.

Limited Liability Companies

Each corporate Borrower has been incorporated as a limited liability company in either England and Wales or Jersey or the British Virgin Islands, and will be governed by the laws of such jurisdiction in relation to their business proceedings.

In the case of the Loans made to a corporate Borrower, each Borrower was incorporated or constituted for the purposes of acquiring the legal and/or beneficial interests in the Property or Properties charged as security for the related Loan. The MS Loan Originator was satisfied at the time it originated the MS Loans (other than the St. Enoch Loan) that the corporate Borrowers and/or the Mortgagors had no material assets or liabilities (other than liabilities fully subordinated pursuant to subordination agreements) save in relation to the Property or Properties which constitute security for the relevant Loans.

German Limited Liability Partnership

The Lloyds Building Loan was made to One Lime Street London GmbH & Co. KG which is a German limited liability partnership *(Kommanditgesellschaft, KG)* registered in the commercial register of the local court of Düsseldorf under HRA 17778 (the "**Partnership**"). A German limited liability partnership is an entity that has a separate legal personality from its partners and has the ability to own property and incur liabilities in its own name.

A German limited liability partnership has both limited partners and general partners. The liability of the limited partners against third parties is limited to the amount of capital the partners are obliged to contribute to the partnership under the partnership agreement and such amount is entered in the commercial register. In contrast to the limited partners, each general partner is liable for all debts of the Partnership. The day to day affairs of the Partnership are conducted by a German limited liability company (Gesellschaft mit beschränkter Haftung, GmbH), in its capacity as the general partner of the Partnership jointly with one of the initial limited partners (together, the "**Partnership Managers**"). The general partner cannot solely conduct day to day affairs of the Partnership.

According to the partnership agreement dated 14th January 2005 relating to the Partnership (the "**Partnership Agreement"**), the Partnership may be dissolved by:

(1) a decision of the partners which has to be made by a three quarters majority of the votes cast at a meeting or in a written procedure and requires the consent of the Partnership Managers;

(2) the commencement of insolvency proceedings over the Partnership's assets; and

(3) a court decision to dissolve the partnership.

According to German statutory law, the partners of the Partnership are entitled to file a motion for such a court decision by asserting a good cause for the Partnership's dissolution. However, in the loan agreement, the general partner covenants not to consent to any action relating to the winding-up or dissolution of the Partnership. Furthermore, according to German statutory law the Partnership can be dissolved in a number of other ways, including (i) by the court's refusal to commence insolvency proceedings over the Partnership's assets due to insufficient assets to meet court costs (ii) by cancellation of the Partnership's name in the commercial register by the competent court or (iii) by a third party creditor following an unsuccessful attempt to enforce security to obtain possession of a partner's movable property within the previous six months.

Generally, the commencement of insolvency proceedings over the assets of a partner does not affect the legal existence of a German limited liability partnership, nor does it lead to termination of the partnership or to the commencement of insolvency proceedings over the partnership's assets, unless the respective partner's insolvency leads to insolvency of the partnership itself (for example, if the insolvent partner owes a significant contribution to the partnership). According to the Partnership Agreement, the general partner is entitled to expel a limited partner from the Partnership or to sell its share if insolvency proceedings have been opened over the assets of the limited partner or the court has refused to commence insolvency proceedings due to insufficient funds. In this event, the Partnership is obliged to pay compensation to the respective limited partner. In the event that insolvency proceedings are conducted against the general partner's assets, the general partner would cease to be a partner of the Partnership. This would not lead to an automatic liquidation of the Partnership so long as there were two or more remaining partners and at least one remaining general partner.

For the purposes of the European Union Council Regulation (EC) No. 1346/2000 (the "**EU Insolvency Regulation**") the "centre of main interests" of the Partnership is Germany as that is where the Partnership currently carries out the administration of its affairs. Assuming that the Partnership's centre of main interests remains in Germany, upon the opening of any insolvency proceedings in Germany, the courts of Germany would have jurisdiction to apply the relevant insolvency laws of Germany to the assets of the Partnership located in the United Kingdom. However, pursuant to Article 5 of the EU Insolvency Regulation, the opening of main proceedings in a member state will not affect the "rights in rem" of creditors or third parties over assets belonging to the debtor which are situated in the territory of another member state at the time of opening of the main proceedings. Although it has yet to be tested in court, for these purposes, the Mortgage over the Property securing the Lloyds Building Loan and the Related Security are almost certainly "rights in rem" which would mean that the opening of insolvency proceedings in Germany against the Partnership would not affect the ability of the HRE Loan Security Trustee to enforce the HRE Loan Related Security.

Jersey Unit Trust

The St. Enoch Loan was made to St. Enoch Trustee Company Limited in its personal capacity and as trustee of the St. Enoch Centre Unit Trust (the "**St. Enoch Unit Trust**"), a Jersey unit trust. A Jersey unit trust is a legal structure whereby legal ownership of the trust assets is vested in a trustee who holds these on trust for the benefit of unit holders. Under Jersey law a unit trust must be constituted by a written instrument which sets out, in effect, the terms on which the trustee holds the trust assets for the unit holders. Typically, trust instruments will contain provisions detailing the extent of the trustee's powers and discretions, governing the appointment, removal or retirement of the trustee or regulating the issue, redemption and valuation of units. Consent to the establishment of a property unit trust must be obtained from the Jersey Financial Services Commission. This takes the form of a consent to the raising of money and issue of units under the Control of Borrowing (Jersey) Order 1958 ("**COBO**").

In the Credit Agreement for the St. Enoch Loan, the Borrower warrants that the St. Enoch Unit Trust is a unit trust which is duly established and validly constituted under the laws of Jersey and a unit trust scheme within the meaning of section 237(1) of the FSMA 2000. The St. Enoch Unit Trust was constituted in accordance with a trust instrument dated 17th December, 2004 as amended by a supplemental trust instrument dated 31st January, 2005. The St. Enoch Loan Security Trustee has the benefit of a Jersey law legal opinion provided by Carey Olsen which confirms, among other things, that the St. Enoch Unit Trust has been validly constituted as a unit trust under the provisions of Article 7(3) of the Trusts (Jersey) Law 1984 (as amended) and that the St. Enoch Unit Trust has the necessary COBO consent referred to above.

English Limited Partnership

The Borrower under the Grays Shopping Centre Loan (the "**Grays Loan Borrower**") is a limited partnership registered in England and Wales. Limited partnerships in England and Wales are governed by the Limited Partnership Act 1907 (the "**1907 Act**") and are generally constituted by limited partnership deeds entered into between the relevant partners ("**Partnership Deeds**").

Limited partnerships will generally consist of a general partner being a limited liability company incorporated in England and Wales and one or more limited partners. Each partner will make a capital contribution to the limited partnership and in some instances also lend money to the limited partnership.

In relation to the purchase by the Grays Loan Borrower of the relevant Property, the legal interest in the Property is held on trust by two trustees. As the legal title to the Property is held by two trustees, the beneficial

interest in the Property will be overreached on a sale or disposal of the legal interest in the Property but, the partnership nonetheless charges by way of first fixed charge its beneficial interest in the Property by way of collateral security in addition to the two trustees charging by way of first fixed charge the legal title to the Property.

The Grays Loan Borrower's limited partnership agreement includes provisions which, among other things, provide that the general and limited partners (the "**Partnership Lenders**") can only be repaid on the dissolution and winding-up of the partnership. The partners also covenant in the Credit Agreement, among other things, not to call for the dissolution of the partnership. A dissolution could nevertheless occur automatically (i) if it or its general partner becomes insolvent (it should be noted that the general partner has been set up as bankruptcy remote special purpose vehicle and has given the representations to the MS Loan Originator as to its status); or (ii) in the unlikely event that the business of the partnership becomes unlawful.

If the Grays Loan Borrower is wound up in breach of a prohibition contained in the limited partnership agreement and the Credit Agreement, or is wound up automatically on the occurrence of one of the events referred to in the preceding paragraph then the statutory subordination contained in the Insolvent Partnerships Order 1994 ought to apply. The Insolvent Partnerships Order 1994 provides that on the dissolution of a partnership the assets of the firm, including those sums, if any, contributed by the partners to make up losses or deficiencies of capital, will be applied in paying the debts of the firm to persons who are not partners before they are paid to the relevant partner (whether in repayment of advances made by that partner or in repayment of capital).

Pursuant to the 1907 Act, the general partners' liability for the debts and obligations of a limited partnership registered in accordance with the 1907 Act is unlimited. The limited partners are, however, not liable for the debts or obligations of the partnership beyond the sum of capital that the limited partners have contributed to the partnership and that part of any loan which is advanced or available to be advanced to the partnership by the limited partners and which has not been repaid. Any debt obligations of the partnership above such level will be the responsibility of the general partners. The principal exception to the above is where a limited partner takes part in the management of the partnership business in which circumstances the limited partner loses its limited partner status and will, pursuant to Section 6 of the 1907 Act, become liable for all debts and obligations of the limited partnership incurred while the limited partner so acts. Limited partnership registered in England and Wales do not have a legal personality separate from their partners.

The Grays Loan Borrower may be dissolved in accordance with the provisions of its partnership agreement. In addition, a court may, on application of any partner and on the satisfaction of certain statutory grounds, order the dissolution of the Grays Loan Borrower. The court may also, on the petition of a creditor, certain insolvency practitioners, the Secretary of State or a partner, make a winding-up or an administration order in relation to the partnership. The terms of the Credit Agreement effectively prohibit, however, any of the partners from petitioning for the winding-up or administration of the partnership so long as the Loan is outstanding.

Principal Borrowers

The Lloyds Building Loan (representing 40.5 per cent. of the Aggregate Cut-Off Date Balance) is made to One Lime Street London GmbH and Co. KG (a German limited partnership) (the "**First Principal Borrower**"). Further information relating to the First Principal Borrower is set out in Part A of Appendix 1 on page 197.

The St. Enoch Loan (accounting for 27.3 per cent. of the Aggregate Cut-Off Date Balance) is made to the St. Enoch Centre Unit Trust (a Jersey unit trust) acting through the St. Enoch Trustee Company Limited (in its personal capacity and as trustee of the Unit Trust) (the "**Second Principal Borrower**"). Further information relating to the Second Principal Borrower is set out in Part B of Appendix 1 on page 198.

THE LOANS AND THE RELATED SECURITY

Origination of the Loans

The Loan Pool consists of eight Loans, all of which are secured over commercial properties, as described below. The decision to advance any Loan (subject to obtaining satisfactory legal due diligence) was based on compliance with the MS Loan Originator's lending criteria in relation to the MS Loans and with the HRE Loan Originator's lending criteria in relation to the Lloyds Building Loan; these lending criteria are as described below (the "**Lending Criteria**"). The Loans and Related Security were originated in the case of the MS Loans by the MS Loan Originator (with the exception of the St. Enoch Loan which was originated jointly by Deutsche Bank and the MS Loan Originator) between October 2004 and June 2005 and; in the case of the Lloyds Building Loan, by the HRE Loan Originator in January 2005.

There is no right on the part of the Issuer to substitute Loans in the Loan Pool. However, the Borrower under the Admiral Portfolio Loan has the right to substitute a limited number of Properties with other properties in accordance with the terms set out in the relevant Loan and Related Security documentation. For further information, see "The Loans - Disposal and Substitution of Properties" at page 78.

Loan Origination Procedure

The description that follows relates to the procedures followed by the Originators in originating loans generally. The origination procedures of the MS Loan Originator and the HRE Loan Originator are substantially the same in all material respects. To the extent that there is any material variation in such procedures this is highlighted in the following sections.

1. Lending Criteria

(A) Lending Philosophy

The MS Loan Originator's credit policy is to underwrite commercial property loans based on an analysis of the contractual cashflows, occupational tenant covenants and lease terms and the overall quality of the properties offered as security. Risk is assessed by stressing the cashflows derived from underlying tenants and the risks associated with refinancing the amount due upon maturity of the loan. The plans and strategy for the relevant property, as well as the property investment experience and expertise of the relevant borrower's sponsors, are also factors to be taken into consideration.

The credit policy of the HRE Loan Originator is in all material respects similar to that of the MS Loan Originator referred to in the preceding paragraph.

(B) Types of Borrower

Borrowers are, typically, SPEs sponsored by experienced property investors but, in relation to this Loan Pool in particular, also include a Jersey unit trust, an English limited partnership and a German limited liability partnership. A borrower may be incorporated and/or resident in the United Kingdom or in an overseas jurisdiction.

(C) Security

The principal security for a loan originated by either Originator will be a first ranking charge by way of legal mortgage over freehold or long leasehold land and buildings which are the subject matter of the relevant loan (or first ranking standard security in relation to property in Scotland), and a floating charge over the borrower's other assets (or equivalent security in jurisdictions other than England and Wales or Scotland, if applicable). The security is in each case held on trust for the relevant Originator by a security trustee.

(D) Advance Level

The MS Loan Originator normally advances new loans having a principal amount of between £0.5 million and £1,000 million. The HRE Loan Originator typically advances new loans having a principal amount of between £20 million and £250 million (although several loans have been advanced in excess of this amount).

The LTV Ratios of loans originated by the Originators typically range from approximately 60 per cent. to 85 per cent. For further information regarding the loan to value ratios of the loans in the Loan Pool, see "The Loan Pool Overview" at page 86.

(E) Purpose of the Loan

The purpose of the loans will normally be to assist in the acquisition or re-financing of commercial real estate and/or for general purposes.

(F) Repayment Terms

The term of the loans originated by the Originator may be between one and 30 years, although all the Loans originated have a term of between five and eight years. Loans may be interest only or have defined principal repayment schedules. The principal repayment schedule is structured to take account of the cashflow pattern of the leases in effect at the date of commencement of the loan and the anticipated realisable value of the security at its maturity.

For further information regarding the term of the loans in the Loan Pool, see "The Loan Pool Overview" at page 86; for information regarding amortisation of the loans in the Loan Pool, see "The Loans - Interest and Amortisation Payments/Repayments" at page 69.

2. Legal Due Diligence

Following the approval in principle by the Originators of the relevant loan facility, certain legal due diligence procedures are followed before the loan is advanced. Details of these procedures are set out below. The legal due diligence is in each case addressed to the Originator; it is not updated prior to the sale of the relevant loan and its related security to an issuer in connection with any securitisation thereof and the assignment by such issuer thereafter by way of security to a trustee, nor is it re-addressed either to such issuer or trustee. Such issuer and trustee instead each rely solely on the representations and warranties given by the Originator, which are contained in the relevant Loan Sale Agreement entered into by each of them.

(A) General Information

The Originators appoint external legal advisers ("**External Legal Advisers**") to act for them in relation to the origination of their Loans. An External Legal Adviser initially obtains (and, where reasonably practicable, checks) general information relating to a proposed facility including details of a borrower's shareholders; any borrowings that it has entered into; the accounts to be operated in connection with the proposed facility; any managing agents appointed (or to be appointed) in connection with the collection of rents and/or management of the property; and insurance of the property.

With respect to properties situated in jurisdictions other than England and Wales and security governed by laws other than the laws of England and Wales, the Originators appoint additional external legal advisers in such jurisdictions who will undertake tasks relating to such properties and security analogous to those undertaken by the External Legal Advisers in England or Wales (including those detailed in paragraphs (B) to (D) below). Such legal advisers will be appropriately qualified and experienced in the relevant jurisdictions.

In relation to the MS Loans, the External Legal Advisers that acted in relation to the origination of such Loans were Sidley Austin Brown & Wood (save for the St. Enoch Loan in relation to which Clifford Chance LLP were instructed and the Grays Shopping Centre Loan in relation to which Allen & Overy were instructed). In relation to the Lloyds Building Loan, Herbert Smith LLP acted for the HRE Loan Originator. The MS Loan Originator also instructed McGrigors in relation to the security granted in respect of the St. Enoch Loan.

(B) Property Title Investigation

An important part of the legal due diligence process is to verify that the prospective borrower and/or mortgagor has or, if the property is being purchased, will have, good title to the property to be charged, free from any encumbrances or other matters which would be considered to be of a material adverse nature. The process of title verification is slightly different depending upon whether a report on title is prepared and issued in favour of the relevant Originator by the borrower's solicitors or whether the title investigation is undertaken by an External Legal Adviser and a report is issued by it.

(i) *Report on Title prepared by Borrower's Solicitors*:

If a report is prepared by the borrower's solicitors, an External Legal Adviser will check the identity of the solicitors and satisfy itself on behalf of the Originator that they are of sufficient standing and competence to deliver a report on title in respect of the relevant property.

An External Legal Adviser reviews the draft form of report to ensure that it covers all relevant matters (i.e. the matters that such External Legal Adviser would expect to cover in a report (for further information, see "Report on Title from the External Legal Advisers" below)). Once the draft report has been issued, it will raise requisitions in case of omissions, ambiguities or material disclosures in the report and satisfy itself in relation to any issues arising from the report.

The relevant External Legal Adviser then prepares a summary report for the Originator, confirming (if appropriate) approval of the form and content of the report on title and highlighting any matters contained in the report which the relevant External Legal Adviser considers should be drawn to the attention of the Originator and its valuers.

(ii) *Report on Title from the External Legal Advisers*

If a report is prepared by an External Legal Adviser, it will undertake the usual investigation of title in relation to the relevant property which will include reviewing copies of title documents and H.M. Land Registry entries (including any lease under which the property is held). All the usual H.M. Land Registry, local authority and any other appropriate searches will be undertaken and preliminary enquiries will be raised with the borrower's solicitors. Where the property is being acquired by the borrower, a review of the replies to enquiries raised by the borrower's solicitors will be undertaken. The terms of all leases and tenancies affecting the property will be reviewed and the basic terms (including, among other things, details of rent reviews and tenants' determination rights) will be included in the report.

Where a borrower is in the course of acquiring a property that is to be charged then the purchase contract and the form of transfer of the relevant property will be reviewed and approved.

The relevant External Legal Adviser will also, where the property concerned is owned by another company whose shares are acquired by the relevant borrower or mortgagor, check the terms and conditions of any share sale and purchase agreement and oversee any legal formalities required to be undertaken, for example, ensuring that the requirements of Section 155 of the Companies Act 1985 (where a mortgagor may grant financial assistance by charging its assets as security for the purpose of the purchase of its own shares) are complied with.

The report that an External Legal Adviser prepares will highlight any material or unusual matters but otherwise confirm (if correct) that, in its opinion, the prospective borrower or mortgagor has (or would have on completion of any purchase and necessary registration) good title to the property. The report will not normally cover matters relating to the structure or construction of the relevant property, specific environmental surveys or enquiries, or any credit checks on the borrower or occupational tenants.

The relevant External Legal Adviser ensures that the valuer providing the valuation of a property has a copy of the report, and it cross checks and verifies basic details relating to the property (namely tenure and term and rents for any occupational tenancies) set out in any valuation received by it.

(C) Capacity of Borrowers/Mortgagors

In relation to any borrower or mortgagor incorporated in England and Wales, the relevant External Legal Adviser satisfies itself that the relevant company is validly incorporated, has sufficient power and capacity to enter into the proposed transaction, whether it is subject to any existing mortgages or charges, whether it is the subject of any insolvency proceedings, and generally that any formalities required to enter into the proposed transaction with the Originator have been (or would be by drawdown) completed.

In relation to any borrower or mortgagor incorporated outside England and Wales, lawyers competent in the jurisdiction where the company is incorporated (and also, if different, the jurisdiction where the relevant property is situated) are appointed to undertake a similar due diligence process to that undertaken by the External Legal Advisers taking account of jurisdictional differences (for example, there is no register of company security interests in Jersey). The lawyers advising in connection with jurisdictions outside England

and Wales are required to deliver an appropriate legal opinion confirming, among other things, that the choice of English law to govern the loan documentation (save in relation to the security over an asset whose "situs" is outside England and Wales, where local law will apply) will be recognised and upheld.

(D) Structural/Environmental Reports

The MS Loan Originator does not usually obtain reports relating to the structure or construction of a property, however, the MS Loan Originator does obtain environmental "desk-top" reports. These reports do not constitute full environmental surveys but test, based upon historical use records and other information publicly available, the likelihood of the property being subject to any materially increased environmental risk. Details of any material matters are then included in the report on title or summary report provided by the MS Loan Originator's legal advisers. The HRE Loan Originator will obtain environmental reports and reports relating to the structure or construction of a property where it considers it prudent to do so bearing in mind the type and location of individual properties. The HRE Loan Originator typically obtains reports on the structure of individual properties.

3. Drawdown and Post-Completion Formalities

The relevant External Legal Adviser ensures that all necessary registration formalities and the service of notices are dealt with at drawdown or, as appropriate, within any applicable priority or other time periods following drawdown.

In relation to registrations at any relevant land registry, the relevant External Legal Adviser or its agent either undertakes these registrations or obtains an unconditional undertaking from the borrower's solicitors to effect the registrations (and, in the meantime, to hold the deeds to the order of the relevant External Legal Adviser on behalf of the security trustee). Where any borrower's solicitors ask to retain any occupational leases in order to deal with day to day management matters, they are permitted to do so subject to providing an unconditional undertaking to hold them to the relevant External Legal Adviser's order and to deliver them on demand.

4. Standard form documentation

Each loan is documented in a credit agreement which is governed by English law, and which is in the relevant Loan Originator's standard form subject to such variations as an individual borrower may negotiate (the "**Credit Agreement**"). Each Originator's form of debenture secures all obligations of a borrower to the relevant Originator pursuant to the Credit Agreement and the relevant security is held on a security trust basis, so that the security trustee holds the security created pursuant to the debenture on trust for, among others, the relevant Originator. Material amendments to the standard form credit agreement and debenture are generally resisted by the relevant Originator unless they are necessary to reflect the terms and conditions or the structure of the particular loan, or the laws and regulations of the jurisdiction in which the relevant property is situated.

THE LOAN DOCUMENTATION

The description which follows relates to the Loans and the Related Security constituting the Loan Pool.

1. Status of Borrowers/Mortgagors

The majority of the Borrowers and the Mortgagors were incorporated or constituted for the purposes of acquiring the legal and/or beneficial interests in the Property or Properties charged as security for the related Loan. In all cases, except as described at 3*(F)* (Terms of the Loans - Undertakings) and 6 (The Additional Security) below, the Originators are satisfied that the Borrowers and/or the Mortgagors have no material assets or liabilities (other than such as are fully subordinated pursuant to Subordination Agreements) save in relation to the Property or Properties which constitute security for the relevant Loans. For further information see "The Additional Security" at page 74.

The Borrowers and Mortgagors are variously limited liability companies, an English limited partnership, a Jersey unit trust and a German limited partnership. For further information, see "The Borrowers" at page 61.

2. Information on the Loans and the Related Security

The loan and security package in relation to each Loan comprises a Credit Agreement; one or more Debentures from the Borrower and (where the Property over which the security granted is held by an entity other than the Borrower) Mortgagor incorporating, in each case as set out below in "Terms of the Debenture – Creation of Security" at page 72, a first legal charge or local equivalent over the relevant Property; a first fixed charge over or first priority security interest in the relevant Rent Account and other accounts established by the Borrowers as required by the terms of the Credit Agreements; fixed and/or floating charges over all the Borrower's and the Mortgagor's assets and a charge over, or security interest in, the shares in the Borrower (where the Borrower is a company) and the shares in the relevant Mortgagor (if any) (to the extent that the Borrower or the Mortgagor are incorporated). In the case of the St. Enoch Loan, a standard security was granted by the relevant Borrower separate from the relevant Debenture, together with the Assignation of Rents. Also in relation to the St. Enoch Loan, a Jersey Security Interest Agreement was granted by each of the relevant security providers over all the shares in the trustee of the Jersey unit trust and the relevant security providers' interests in the units of the Unit Trust. The Credit Agreements and the documents evidencing the Related Security for a Loan are referred to as the "**Loan Documentation**" applicable to that Loan.

In relation to the Lloyds Building Loan (which represents 40.5 per cent. of the Aggregate Cut-Off Date Balance) the amount recoverable upon the enforcement of the floating charge is limited to one hundred pounds. However, there are no restrictions on the amounts recoverable on an enforcement of the fixed charges which have been granted. Fixed charges have been granted over substantially all the assets of the relevant Borrower, including the Property which acts as security for the Loan.

Where managing agents are employed, a Duty of Care Agreement in favour of the Security Trustee has been obtained from them (relating to rent collection, where rent is not paid directly into the Rent Account, and property management).

The form of security documentation is described in more detail under "Terms of the Debenture" at page 72.

The Loans all have original maturities of between five and eight years. No Loan is scheduled to be repaid later than April 2012.

Interest payable in relation to the MS Loans (including the St. Enoch Loan), is payable at a fixed rate, accrues daily and is payable quarterly in arrear. The interest rate was notified to the relevant Borrower by the MS Loan Originator prior to making the Loan.

The Borrower under the Lloyds Building Loan is obliged, pursuant to the Credit Agreement, to pay interest at a floating rate based on three-month LIBOR quarterly in arrear. For further information regarding the Lloyds Building Loan Hedging Arrangements, see "Lloyds Building Loan Hedging Arrangements "at page 75.

All the Properties are let to third party tenants. Certain matters concerning the tenancies could affect the value of a Property; these are part of the normal risks of lending on the security of let property and are referred to in "Risk Factors – Factors Relating to the Loans" at page 35.

3. Terms of the Loans

Each Credit Agreement contains the types of representations, warranties and undertakings on the part of the Borrower that a reasonably prudent lender would usually require.

In relation to the MS Loans (other than the St. Enoch Loan), the MS Loan Originator is entitled to assign to the Issuer any of its rights under the Credit Agreement without restriction.

In relation to the Lloyds Building Loan and the St. Enoch Loan, the HRE Loan Originator or the lenders under the St. Enoch Loan (as the case may be) are entitled to assign their respective rights under the relevant Credit Agreement subject to the assignee also assuming the obligations of the lender under the Credit Agreement. However, those obligations are not considered material, as both Loans are fully drawn term loans.

A summary of the principal terms of the Credit Agreements is set out below and whether originated by the MS Loan Originator or the HRE Loan Originator these are materially similar save to the extent variations are highlighted.

(A) Loan Amount and Drawdown and Further Advances

The maximum amount of a loan is calculated by reference to a pre-agreed percentage which is between 61 per cent. and 81 per cent. of the value of the property to be charged to the relevant Loan Security Trustee (calculated by reference to the relevant Origination Valuation).

None of the Loans places an obligation on the relevant Originator or the Issuer to make any further advance to a Borrower and, following the sale to the Issuer of the Loans and transfer to the Issuer of the beneficial interests in the Security Trusts over the Related Security, neither the Master Servicer nor the Master Special Servicer will be permitted under the Master Servicing Agreement to agree to an amendment of the terms of a Loan that would require the Issuer to make any further advances to the Borrower.

(B) Conditions Precedent

The Conditions Precedent to a drawdown of a particular loan varied depending upon the terms of the facility and nature of the security to be created. However, certain documents (duly executed) were required in all cases and included each Borrower's constitutional documents and appropriate board minutes (where appropriate); a valuation in respect of the Property or Properties being financed (and, where it was considered appropriate, structural surveys and/or environmental reports); evidence of insurance cover in respect of the Property or Properties (except in relation to the Environment Agency Building Loan); a report on title in respect of the Property or Properties; security documents (including those documents referred to above); all appropriate United Kingdom and other tax clearances and relevant legal opinions; and notices in connection with the assignment or assignation of rental income and charging (or equivalent) of bank accounts.

(C) Interest and Amortisation Payments/Repayments

Interest on each Loan is due to be paid quarterly in arrear on designated payment dates for such Loan (each, a "**Loan Payment Date**") and amortisation payments (where required to be made) are also made on Loan Payment Dates in accordance with a pre-determined amortisation schedule.

Two of the Loans provide for the principal of the relevant Loan to be repaid in instalments over the term of the Loan and the remaining six loans provide for repayment of the Loan by way of a single payment at the end of the term of the Loan.

In relation to all the Loans (other than the St. Enoch Loan) the Borrowers may make prepayments in whole or in part (in an amount not less than in the case of the MS Loans £250,000 or in the case of the Lloyds Building Loan £1,000,000) on, in most cases, not less than 30 days' prior notice or in the case of the Lloyds Building Loan on five working days' notice, or if the Borrower has to pay any taxes or increased costs or, in relation to one Loan, the relevant Borrower notifies a breach of the interest cover ratio applicable to the relevant Loan at the relevant time on or before the Interest Payment Date. Prepayments can be made on any Loan Payment Date or any other time provided the Borrower pays all the interest payable in respect of the whole interest period. Unless a prepayment is as a result of a borrower having to pay increased costs or taxes then prepayment fees on a sliding scale (dependent on the prepayment date) will be payable.

In relation to the St. Enoch Loan, the Borrower may make prepayments at any time provided that prepayments can only be made in a minimum amount of £5,000,000, except in the event of a prepayment made as a result of a disposal of the car park at the Property, in which case, a prepayment of £2,200,000 is to be made.

Information relating to the projected amortisation of the Loans is set out in "Loan and Related Property Summaries" at page 91.

On each Loan Payment Date, moneys are debited from the Rent Accounts to discharge any interest and/or principal payments due under the Credit Agreements. In the case of certain of the Loans, transfers may also be made from the relevant Escrow Account or the Sales Account should there be insufficient funds standing to the credit of the relevant Rent Account to cover a Borrower's interest and/or principal payments.

Any surplus moneys standing to the credit of the Rent Account on the relevant Interest Payment Date (after payment of certain other prescribed costs, fees and expenses) will be paid to the relevant Borrower.

(D) Rent Accounts

Rental income from each Property is paid, directly or indirectly through a Managing Agent, into the Rent Account which is charged (or subject to equivalent security) in favour of the relevant Loan Security Trustee and over which the relevant Loan Security Trustee or loan facility agent, in all cases, has sole signing rights.

(E) Representations and Warranties

The representations and warranties given by the Borrower in relation to each Loan include a representation to the effect that the Borrower is validly incorporated or constituted and has the power, capacity and authority to own its assets, to carry on its business and enter into the Credit Agreement and security documentation.

The Borrower also warrants that no event of default or potential event of default under its Credit Agreement and security documents will occur as a result of the Loan being made and that it is not in default under any other document to an extent which would be material; that there is no current material litigation or other legal proceedings against the Borrower; and that the information supplied to the relevant Originator (and any valuers) is true, complete and accurate.

(F) Undertakings

Each Borrower gives various undertakings which take effect so long as any amount is outstanding under the relevant Loan. The undertakings relate, among other things, to the provision of financial information on an ongoing basis; an obligation to supply the relevant Originator with details of shareholder documentation (where relevant) and details of any material litigation and any potential event of default under the Credit Agreement; an obligation not to permit or allow any charge or security to arise over any of its assets (subject to certain subordinated security being permitted and other security, with the prior written consent of the relevant Loan Security Trustee or facility agent (see paragraph below)) and an obligation not (without the relevant Loan Security Trustee or facility agent's consent) to sell, transfer, lease or otherwise dispose of all or a substantial part of its assets (subject to certain limited exceptions and in particular any specific provisions to the disposal and substitution of properties, see "Disposal and Substitution of Properties" at page 78).

In relation to the St. Enoch Loan, the Borrower is permitted to incur indebtedness which takes the form of a bonding agreement or other security in favour of Glasgow City Council or any other relevant statutory undertaker as part of a redevelopment of all or part of the relevant Property where such bonding or other security is a condition of any planning permission entered into by the Borrower. The relevant Borrower is also permitted to incur indebtedness of up to an aggregate of £1,000,000 provided such indebtedness is incurred for the purpose of operating or maintaining the relevant Property.

The consent of the relevant Loan Security Trustee is not required for the grant of an occupational tenancy where a unit has been or is to become vacant provided certain conditions are met, including that the occupational tenancy is on normal commercial terms. In relation to the St. Enoch Loan, the Borrower is not required to obtain consent to the grant of a new occupational lease where the rent payable under the relevant occupational lease is not greater than 10 per cent. of the aggregate annual rent payable in respect of the Property. In the case of the Lloyds Building Loan, the consent of the relevant facility agent is required.

Each Borrower undertakes in its respective Credit Agreement to ensure that the interest cover percentages always exceed a certain prescribed figure of the interest payable pursuant to the relevant Credit Agreement in respect of the relevant period(s)) as specified in the table below:

Loan		Minimum Interest Cover Percentage Covenants ("MICP")
1.	Lloyds Building Loan	105%
2.	Loan to St. Enoch Centre Unit Trust (the "**St. Enoch Loan**")	100%
3.	Loan to Kerry Associates Limited (the "**Admiral Portfolio Loan**")	110%
4.	Loan to Arkminster Limited (the "**Halton Lea Shopping Centre Loan**")	100/105%[1]
5.	Loan to CPI Active Management Programme (No.2) Limited ("**Grays Shopping Centre Loan**")	110%
6.	Loan to Normandy Assets Limited and Normandy Assets (2) Limited (the "**Normandy House Loan**")	110%
7.	Loan to Eagle Corporation Limited (the "**Money Centre Loan**")	110%
8.	Loan to Penrith Properties Limited (the "**Environment Agency Building Loan**")	110%

1. See below.

In relation to the Halton Lea Shopping Centre Loan during the rent free period in relation to the occupational lease to Wilkinson Hardware Stores Limited (the "**Wilkinson Lease**"), the prescribed minimum interest cover percentage figure is 100 per cent. Following the expiry of the such rent-free period, the prescribed minimum interest cover percentage is 105 per cent. In relation to the St. Enoch Loan, subject to the following, the Borrower is to ensure that, on each Interest Payment Date and on any date of prepayment of all or part of the Loan, projected net rental income ("**Projected Net Rental Income**") for the rental quarter ending immediately prior to that date and the next three rental quarters is not less than 100 per cent. of the amounts payable by the Borrower under the St. Enoch Loan ("**Projected Finance Costs**") and for the next four interest periods (periods between each Interest Payment Date, each an "**Interest Period**") immediately following that Interest Payment Date.

The Borrower under the St. Enoch Loan will not be in breach of the above if the ratio, expressed as a percentage, of Projected Net Rental Income to Projected Finance Costs, is less than 100 per cent. for four or fewer consecutive Interest Periods and not more than six Interest Periods in aggregate prior to the Loan being unconditionally paid or discharged in full. The interest cover test is also suspended in the event that the Borrower carries out development works, for such time as the facility agent determines.

With regard to interest cover percentages, subject to the following, the Borrowers under the MS Loans undertake that so long as they remain less than the designated figure ("**Dividend Trap Interest Cover Percentage**")(in respect of which, see the table below) they will not declare any dividend, issue further shares, repay any principal or pay interest on any other borrowings or repay or redeem any share capital.

Loan		Dividend Trap Interest Cover Percentages
1.	Lloyds Building Loan	n/a
2.	St. Enoch Loan	110%
3.	Admiral Portfolio Loan	125%
4.	Halton Lea Shopping Centre Loan	110%
5.	Grays Shopping Centre Loan	125%
6.	Normandy House Loan	125%
7.	Money Centre Loan	125%
8.	Environment Agency Building Loan	125%

In the case of the St. Enoch Loan, the Borrower also undertakes that so long as the interest cover percentage remains less than 110 per cent. and no event of default is continuing or would occur as a result of any declaration or payment of any dividend or distribution it will not declare or pay any dividends or interest on unpaid dividends or distributions, fees or expenses in the nature of or intended to act as a distribution to any of its members or make any payments in respect of any financial indebtedness owed to any shareholders or investors in that capacity.

(G) Insurance

Save in the case of the Lloyds Building Loan and the Environment Agency Building Loan (see below) each Borrower or Mortgagor is required to effect or procure prior to drawdown (in each case in a form acceptable to the relevant Loan Security Trustee or facility agent): (i) insurance of the relevant Property, including fixtures and improvements, on a full reinstatement basis, with not less than three years' loss of rent on occupational tenancies at the relevant Property; (ii) insurance against third party liabilities; (iii) insurance against acts of terrorism; and (iv) such other insurance as a prudent company in the business of the relevant Borrower would effect. With respect to each of the Loans, the relevant Loan Security Trustee is co-insured with, among others, the Borrower or the interest of the relevant Loan Security Trustee has been noted or is in the course of being noted on such policy or its interest is included in the relevant policy under a "general interest noted" provision (any such interest will be held on trust for the Issuer). For further information, see "Risk Factors – Insurance" at page 39.

Insurance policies are typically renewed on an annual basis and to the extent coverage ceases to be in place, it constitutes an event of default under the relevant Credit Agreement. In general, insurance costs are recoverable by the relevant Borrower from tenants as part of the service charge.

In relation to the Environment Agency Building Loan, neither the Borrower nor the tenant (the Environment Agency) insures the Property, however, the tenant is obliged to pay for the cost of reinstatement in the event of damage or destruction of the Property and rent is not suspended in the event of damage or destruction of the Property.

In relation to the Lloyds Building Loan, insurance is effected by the tenant (being the Society). The interest of the relevant Loan Security Trustee is noted on the policy. However to the extent that the HRE Loan Security Trustee receives the proceeds of any insurance, they are to be held on trust and applied in reinstating the building in accordance with the relevant occupational lease. The loss of rent period under the Lloyds Building Loan is five years and any proceeds of any insurance claim for loss of rent are paid to the tenant (not the Borrower). However, there is no rent suspension in the event of damage or destruction by insured risks. Where reinstatement is impossible, the insurance proceeds will be divided between the HRE Loan Security Trustee, the landlord (being the Borrower) and the tenant according to the value of their respective interests. In addition, if the property is destroyed or damaged and the tenant has been unable to obtain the necessary planning permissions and other licences and consents necessary to commence the reinstatement of the Property within three years of the damage or destruction occurring, then the tenant may terminate the lease, in which case the lease will terminate on the date of the expiration of the period for which the tenant has or should have insured against loss of rent under the lease.

(H) Events of Default

Each Credit Agreement contains usual events of default entitling the relevant Originator to terminate the Loan and/or enforce the Related Security for such Loan, including non-payment of amounts due, breach of the Borrower's other obligations under the relevant Credit Agreement (including maintaining the minimum interest cover percentage) and security documents, misrepresentation and acts of insolvency.

In relation to non-payment and breaches of other obligations grace periods are sometimes agreed but for periods typically no longer than three business days or 14 business days respectively save that in relation to the Grays Shopping Centre Loan certain breaches (other than non-payment) grace periods of 21 days apply.

4. Terms of the Debenture

(A) Creation of Security

Each Debenture contains a first ranking charge by way of legal mortgage over the Property (or in the case of the St. Enoch Loan, a standard security is granted over the relevant Property in Scotland) and an equitable charge over any other property, plant and machinery (not extending over any Property or assets situated in Scotland, for further information as to which, see "Scottish Security" at page 73). The Debenture also contains a first fixed charge over the relevant Rent Account and the other accounts of the Mortgagor (including the Sales Account, where relevant), if any; the benefit of any insurance policy relating to the Property; book and other debts; the goodwill and uncalled capital of the Mortgagor; rights in respect of any agreement to purchase the Property; to the extent applicable the benefit of any hedging arrangements (subject to netting and set-off

provisions contained therein) and a general floating charge over all other assets. In the case of the Lloyds Building Loan, the amount recoverable under the floating charge is limited.

(B) Representations and Warranties

The Borrower or Mortgagor makes representations and warranties (on the date the Debenture is entered into, the date of any drawdown notice and on each Loan Payment Date) including (where appropriate) to the effect that it is the legal and beneficial owner of the Property (see below) (or in relation to the Borrower under the St. Enoch Loan, has good and valid title), and, save in respect of the St. Enoch Loan, that there is no breach of any law or regulation that might materially affect the value of the Property, nor any facility or right required for the necessary use and enjoyment of the Property that is liable to be terminated, and that the Property is in good and substantial repair and complies with all provisions of any applicable environmental law.

In the case of the St. Enoch Loan, although as indicated, certain of the above warranties are not provided (with the exception of that relating to environmental law, which is provided in the Credit Agreement relating to the St. Enoch Loan), the Borrower does undertake in the Standard Security to comply with any law or regulation affecting the Property, to observe and perform any other legal obligation in respect of the Property and to maintain the Property in good and sufficient repair and condition.

To the extent that a Mortgagor is not the beneficial owner of a Property (other than a Property in Scotland) then two trustees of the legal estate grant security over the legal estate and thus overreach the beneficial interest.

The representations and warranties referred to above are qualified (to the extent applicable) by the report on title in relation to the relevant Property and given in relation to those matters of which the Borrower or Mortgagor is aware.

(C) Undertakings

The Mortgagor undertakes, among other things, not to permit or allow any charge or encumbrance to arise over the Property or sell or dispose of any asset charged as security (save for assets charged by way of floating security only, and disposed of in the ordinary course of business and save for permitted disposals (for further information, see "Disposal and Substitution of Properties" at page 78) and certain other limited exceptions) and that it will keep the Property in good and substantial repair and comply with obligations contained in any leases or covenants and all statutes and obligations affecting the Property.

In relation to the St. Enoch Loan and the Lloyds Building Loan, the undertakings referred to above appear in the Credit Agreement rather than the Debenture.

(D) Enforceability

The security created by the Debenture is, in the case of the St. Enoch Loan, expressed to be enforceable once an event of default under the Credit Agreement has occurred, and in the remainder of the Loans is expressed (in the usual manner) to be enforceable immediately upon its execution, but this is qualified by the provisions of the Credit Agreement which provides that the Debenture may only be enforced once an event of default under the Credit Agreement has occurred. The charge confers upon the relevant Loan Security Trustee and any receiver appointed by it a wide range of powers in connection with the sale or disposal of the Property and its management, and each of them is granted a power of attorney on behalf of the Mortgagor in connection with the enforcement of its security.

As the security created by each Debenture has been created since 15th September, 2003, the prohibition in Section 72A of the Insolvency Act 1986 on the appointment of an administrative receiver under charges created after that date will apply.

5. Scottish Security

The St. Enoch Loan is secured over a Property situated in Scotland by way of a first ranking standard security (the "**Standard Security**") which is the only means of creating a fixed charge or security over heritable or long leasehold property in Scotland. In relation to the St. Enoch Loan, references in this Prospectus to a "mortgage", a "mortgagor" and a "mortgagee" (or the "legal owner" of a mortgage) and similar terms are to be

read as references to the Standard Security, the grantor thereof and the heritable creditor thereunder respectively.

A statutory set of conditions (the "**Standard Conditions**") is automatically imported into all standard securities, including the Standard Security. However, the majority of these Standard Conditions may be varied by agreement between the parties (and certain variations have been agreed in relation to the Standard Security). The Standard Conditions as varied will therefore form part of the mortgage conditions relating to the Standard Security.

The main provisions of the Standard Conditions which cannot be varied by agreement relate to enforcement. Generally, where a breach by a borrower entitles the granter of a standard security (the "heritable creditor") to enforce the security, an appropriate statutory notice must first be served. First, the heritable creditor may serve a "calling-up notice" requiring repayment, in which case the borrower has two months to comply with the notice and in default the heritable creditor may enforce its rights under the standard security by sale, entry into possession or the other remedies provided by statute. A court application for possession is only necessary if the borrower fails to vacate the property. Alternatively, in the case of remediable breaches, the heritable creditor may serve a "notice of default", in which case the borrower has only one month in which to comply with the notice, but also has the right to object to the notice by court application within 14 days of the date of service. In addition, the heritable creditor may in certain circumstances make a direct application to the court without the requirement of a preliminary notice. The appropriate steps for enforcement depend on the circumstances of each case, and therefore, in the case of the St. Enoch Loan, the St. Enoch Loan Security Trustee will upon receipt of appropriate directions from the lenders or their agent, in practice proceed with the remedy most likely to be effective in enforcing or protecting the security.

Further security for the St. Enoch Loan is provided by the Assignation of Rents. Subject to the intimation of the Assignation of Rents to the tenants under the occupational leases of the relevant Property, the Assignation of Rents will create a first ranking fixed security over the Rental Income of the relevant Property. While in terms of the relevant Loan Documentation the St. Enoch Loan Security Trustee is entitled to make such intimation at any time, the Assignation of Rents will not come into effect until intimation takes place (see further "Risks Factors – Factors Relating to the Loans – Assignation of Rents" at page 45).

6. The Additional Security

In addition to the Debenture (and, in relation to the St. Enoch Loan, the Standard Security and Assignation of Rents), the Mortgagors and other related third parties enter into and grant various further related security as referred to above (for further information, see "Information on the Loans and the Related Security" at page 68).

In relation to all Loans (save in the case of the Grays Shopping Centre Loan and the Lloyds Building Loan where the relevant Borrower does not have any shareholders and save in relation to the Halton Lea Shopping Centre Loan where a Share Charge has been entered into in relation to the shares of the Mortgagors rather than the relevant Borrower), a Share Charge or, a Jersey Security Interest Agreement (in the case of the Money Centre Loan and the St. Enoch Loan) from each of the shareholders in the Borrower and in the case of the St. Enoch Loan, in the trustee of the Unit Trust, has been entered into creating a first fixed charge over or first priority security interest in all shares in the relevant Borrower and all associated rights. In addition to the above, in the case of the St. Enoch Loan, a Jersey Security Interest Agreement is granted over the units in the Unit Trust by the unit holders.

The relevant security provider gives the usual representations as to, among other things, its incorporation and authority to enter into the Share Charge or Security Interest Agreement and also undertakes in the usual manner, among other things, not to charge further, sell, transfer or otherwise dispose of the shares.

Save as set out below, all borrowing obligations of the Borrower to a party other than the relevant Originator (the "**Subordinated Lender**") are fully subordinated to all amounts due to the relevant Originator under its Credit Agreement. The Borrower undertakes, among other things, not to secure any part of the subordinated liabilities (save for fully postponed permitted security) and not to repay all or any part of the subordinated liabilities. This is usually qualified to the extent that surplus monies released to the Borrower can be used to make such payments. The Subordinated Lender gives the usual undertakings, including in particular that it will not take any steps leading to the administration, winding up or dissolution of the Borrower.

In the case of the St. Enoch Loan, the Borrower is permitted to maintain a fully subordinated secured capital expenditure, development and VAT bridging facility, secured pursuant to a subordinated standard security over the Property and a subordinated floating charge in favour of a shareholder in the trustee of the Unit Trust.

The Lloyds Building Loan was made to a German limited liability partnership. The terms of the relevant Credit Agreement allow the Borrower to appoint third party agents in order to sell partnership interests to potential investors in the German limited liability partnership, and to enter into fee payment arrangements with those agents. To the extent that the amount of the relevant fee exceeds the amount available to pay the fee from the proceeds of the said sale of the partnership interest, payment of the excess is guaranteed by Commerz Fonds Beteiligungsgesellschaft MbH. These payments are not subordinated to the payments due under the Lloyds Building Loan. Security has also been granted over a placement guarantee.

Where they have been appointed and are independent of the Borrower or Mortgagor, Managing Agents of Properties have entered into Duty of Care Agreements in favour of the relevant Loan Security Trustee, as described under "The Structure of the Accounts – The Borrower Accounts" at page 83.

7. Lloyds Building Loan Hedging Arrangements

Under the terms of the Lloyds Building Loan, the Borrower is required to enter into and maintain interest rate hedging arrangements to protect against the risk that the floating rate of interest payable by the Borrower under the Lloyds Building Loan may increase to levels which would exceed the Borrower's ability to pay, given that the Borrower's income (which comprises, primarily, rental income in respect of the Property) does not vary according to prevailing interest rates.

Accordingly, upon origination of the Lloyds Building Loan, the Borrower entered into an interest rate swap transaction (the "**Lloyds Building Loan Hedge Transaction**") with HRE Bank as the swap counterparty. Under the terms of the Lloyds Building Loan Hedge Transaction, (a) the Borrower is required to pay to the swap counterparty a fixed rate on a notional amount based on the outstanding principal amount of the Lloyds Building Loan and (b) the swap counterparty is required to pay the Borrower three-month LIBOR on the same notional amount.

On or about the Closing Date, all rights and obligations of HRE Bank in respect of the Lloyds Building Loan Hedge Transaction will be transferred to MSCS (in its capacity as the "**Lloyds Building Loan Hedge Provider**") by way of a novation. The obligations of the Lloyds Building Loan Hedge Provider will be guaranteed by Morgan Stanley (the "**Lloyds Building Loan Hedge Guarantor**").

Under the terms of the novation agreement, the Lloyds Building Loan Hedge Transaction will be amended to include a requirement that in the event the long-term unsecured unsubordinated debt obligations of the Lloyds Building Loan Hedge Guarantor cease to be rated at least as high as A+ by Fitch or AA- by S&P, and, as a result the then current ratings of the Notes would be adversely affected, then the Lloyds Building Loan Hedge Counterparty will be required to take certain remedial measures which may include: (i) providing collateral for its obligations under the Lloyds Building Loan Hedge Transaction; (ii) arranging for its obligations under the Lloyds Building Loan Hedge Transaction to be transferred to another entity; (iii) procuring that another suitably rated entity becomes a co-obligor or guarantor in respect of its obligations under the Lloyds Building Loan Hedge Transaction; or (vi) taking such other action as the Rating Agencies confirm will result in the ratings of the Notes being maintained at, or restored to, the level they were immediately prior to the downgrade event.

The Borrower has assigned its rights under the Lloyds Building Loan Hedge Transaction to the HRE Loan Security Trustee.

The Lloyds Building Loan Hedge Transaction may be terminated (a) by either party following a failure by the other party to make any payment due under the relevant swap transaction or (b) by the Lloyds Building Loan Hedge Provider following the occurrence of an event of default by the Borrower under the Credit Agreement and an acceleration of the Loan. Upon such an early termination, either the Borrower or the Lloyds Building Loan Hedge Provider may be required to make an early termination payment to the other party.

In addition, if at any time, the notional principal amount of the Lloyds Building Loan Hedge Transaction exceeds 100 per cent. of the outstanding principal amount of the Loan, the Borrower will, at the request of the facility agent, reduce the notional principal amount of the Lloyds Building Loan Hedge Transaction by an

amount equal to the excess. Upon such reduction either the Borrower or the Lloyds Building Loan Hedge Provider may be required to make a partial early termination payment to the other party.

Any such early termination payment or partial early termination payment will be based on the market value of the terminated portion of the swap transaction determined on the basis of quotations sought from dealers as to the cost of entering into replacement swap transactions with the same terms and conditions as the terminated swap (or part thereof). Any such termination payment could be substantial.

8. Intercreditor Arrangements: Tranched Loans and St. Enoch Loan

(A) Tranched Loans

The following loans are Tranched Loans:

1. The Admiral Portfolio Loan
2. The Halton Lea Shopping Centre Loan
3. The Grays Shopping Centre Loan
4. The Normandy House Loan

Ranking

In relation to each Tranched Loan the MS Loan Originator (the "**Senior Lende**r") and the lender of the Junior Tranche (the "**Junior Lender**") have entered into an intercreditor agreement (each an "**Intercreditor Agreement**") which regulates the claims of the Senior Lender and Junior Lender as to payments, subordination and priority in relation to the relevant tranched loans.

Amounts owed to the Senior Lender (the "**Senior Debt**") rank in priority to the sums owed to the Junior Lender (the "**Junior Debt**"). Save for "Excess Senior Debt", all amounts of principal and interest received shall be paid into the Tranching Account in respect of such Tranched Loan prior to certain events of default under the Credit Agreement (non-payment; breach of interest cover ratios; insolvency related breaches; or, prior to securitisation, any other event of default which the majority Senior Lenders determine will have a material adverse effect under the Credit Agreement) (a "**Material Senior Default**").

Amortised Repayment and Prepayment

In relation to the Admiral Portfolio Loan and the Halton Lea Shopping Centre Loan, amortised repayments of the loan made prior to the final repayment date and prior to a Material Senior Default, are for the account of the Junior Lenders and any voluntary prepayments prior to a Material Senior Default, are for the account of the Senior Lenders and the Junior Lenders on a *pro rata* basis.

In relation to the Gray's Shopping Centre Loan and the Normandy House Loan, which are bullet repayment loans (and therefore, there are no amortised repayments), voluntary prepayments of the loans made prior to the final repayment date and prior to a Material Senior Default, are for the account of the Senior Lenders and the Junior Lenders on a *pro rata* basis.

Following a Material Senior Default, in relation to all the Tranched Loans, amounts received, including amounts to the credit of the Rent Account and Tranching Account, shall (subject to payment of fees, costs and expenses of the relevant Loan Security Trustee and the Senior Lender and Junior Lender's enforcement expenses) be applied and paid towards payment of the Senior Debt in advance of the Junior Debt.

A Material Senior Default, once the Loan is securitised, means a payment default under the Credit Agreement; a default in complying with the interest cover covenants; or an insolvency default under the Credit Agreement.

Cure Rights

The Junior Lender has cure rights entitling it to remedy defaults capable of such remedy within the grace period (being five days from receipt by the Junior Lender of notification of a remediable default). Enforcement action is delayed during such grace period. The Junior Lender's right to cure a payment default is limited to

twice in any 12 month period and not more than four times during the term of the Senior Loan. There is no limit on the number of times non-payment defaults can be remedied.

Purchase of Senior Debt

The Junior Lender can (on notice) purchase the Senior Debt if an event of default has occurred and resulted in acceleration of payment of the Senior Debt. The purchase is to be on a date between five and 15 days after the notice referred to above and payment should be equal to the Senior Debt outstanding together with any break costs.

Enforcement

A Junior Lender is prohibited from taking any enforcement action in relation to the Junior Debt. If enforcement of the security has taken place and the Senior Lender determines that on realisation of the security assets that the realisation proceeds will be sufficient to discharge the Senior Debt in full, then the Junior Lender can require the realisation of those assets.

An acceleration of the Senior Debt shall accelerate the Junior Debt.

Junior Lender Undertakings

Whilst the Senior Debt is outstanding no Junior Lender may: receive any payment in respect of the Junior Debt (with the exception of unpaid fees, costs, expenses, accrued interest and amortised repayments and voluntary prepayments (as described in "Amortised Repayment and Prepayment" above), so long as no Material Senior Default is outstanding); discharge the Junior Debt by way of set-off, combination of accounts or otherwise; receive any security, guarantee, indemnity or other assurance in respect of the Junior Debt; evidence the Junior Debt by a negotiable instrument; subordinate any Junior Debt to another person unless in accordance with the Intercreditor Agreement; or take any action which might impair the effectiveness of the Intercreditor Agreement.

Amendments and Waivers re: Finance Documents

The relevant Loan Security Trustee may amend or waive a term of a Finance Document if the Senior Lender agrees or if permitted under the Finance Documents as a procedural or administrative matter which is not material.

The relevant Loan Security Trustee may not, however, make amendments which result in, among other things, a change to payment dates; reduction in payments to a lender; increase in or extension to the commitment; change in assignment and/or transfer rights; the approval of capital expenditure, unless such amendments are agreed to by all lenders or constitute a non-material administrative change.

Gray's Shopping Centre Loan - Additional Funds

In relation to the Gray's Shopping Centre Loan, although there is no obligation on the Lenders to advance additional funds, the Borrower can request additional funds in a maximum sum of 80 per cent. of any works of refurbishment, remodelling, extension or other development of the Property (the "**Additional Funds**"). The Gray's Shopping Centre Loan Intercreditor Agreement provides that if the Borrower makes a request for Additional Funds the Junior Lender has the option to agree to advance the Additional Funds to the Borrower. If the Junior Lender wishes to do this it must notify the Senior Lender and the Senior Lender will determine whether the Additional Funds will be treated as and rank as Junior Debt or will be treated as and rank:

(i) as to the proportion which the Senior Lenders' commitments (as referred to in the Intercreditor Agreement) bear to the total commitments (pursuant to the Credit Agreement) immediately before the Additional Funds are advanced, as Senior Debt; and

(ii) as to the proportion which the Junior Lenders' commitments (as referred to in the Intercreditor Agreement) bear to the total commitments (pursuant to the Credit Agreement) immediately before the Additional Funds are advanced, as Junior Debt.

The Lenders will then determine the pricing for the advance of the Additional Funds and will amend the Intercreditor Agreement (if required) to reflect that pricing. The Senior Lender will not be entitled to advance any Additional Funds to the Borrower without the prior written consent of the Junior Lender's representative.

Accession by Issuer to the Intercreditor Agreements

On or about the Closing Date the Issuer will accede to each Intercreditor Agreement as a Senior Lender in place of the MS Loan Originator.

(B) St. Enoch Loan

The MS Loan Originator is an equal joint participant with Deutsche Bank in the St. Enoch Loan.

In relation to the St. Enoch Loan, the MS Loan Originator and Deutsche Bank originated the Loan jointly and each participated in the Loan in equal shares. The Credit Agreement specifies that the agent should act upon the instructions of the "Majority Lenders", namely those lenders holding (in aggregate) 65 per cent. or more of the total participations or, after a securitisation of the whole of the Loan, the loan servicer. As neither the MS Loan Originator or Deutsche Bank is a Majority Lender and only the MS Loan Originator's participation in the Loan is being securitised, there is a risk of a deadlock arising if, for example, an event of default arises and the Issuer wishes to enforce the Loan and Deutsche Bank does not wish to enforce.

9. Disposal and Substitution of Properties

In relation to the Admiral Portfolio Loan, the relevant Borrower may request the consent of the MS Loan Security Trustee to release a Property from the security and substitute it with other Property (a "**Substitute Property**") provided that (amongst other conditions) the interest cover percentages for this Loan are no less than 110 per cent. and that no default is then subsisting under the Loan.

The consent of the MS Loan Security Trustee shall not be unreasonably withheld or delayed where the aggregate value of the Properties released (including the Property to be substituted) from the security does not exceed 15 per cent. of the value of the Properties initially charged as security for such Loan. The MS Loan Security Trustee may impose such conditions as it sees fit.

Certain further conditions are also required to be satisfied including that:

(i) the Substitute Property is similar in nature and quality in all respects to the Property being released; and

(ii) the rental income from the remaining Property or Properties and the Substitute Property is sufficient to enable the Borrower to meet the requisite interest cover percentages for the relevant Loan.

Alternatively, under the terms of the Loan, if the net sale proceeds of a Property being disposed of exceed 110 per cent. (or, in relation to two specific buildings providing security for the Loan, 120 per cent.) of the amount initially lent and allocated in respect of that Property, then the relevant Borrower can dispose of the same without substituting a Substitute Property provided that the minimum sum referred to (together with any costs and expenses payable) is paid into a blocked sales account or is used to prepay the whole or part of the Loan (if there is a shortfall, the Borrower may deposit additional monies into the sales account to make up the sum required).

In the case of the St. Enoch Loan, the Borrower is permitted to dispose of the car park comprising part of the relevant Property provided that: no event of default is continuing or would occur following such disposal; the lenders, acting reasonably, are satisfied that the whole or part of the Property the subject of a disposal is being disposed of at its market value and is not a transaction at an undervalue within the meaning of section 238 of the Insolvency Act 1986; and prior to or immediately upon such disposal, the Borrower procures that an amount equal to the aggregate of £2,200,000 and the amount required to be paid in respect of any prepayment under the Credit Agreement is deposited in immediately cleared funds into the Rent Account for application as prepayment on the next Loan Payment Date. The Borrower is also permitted to dispose of a non-material part of the Property as part of a redevelopment where such disposal is a condition of any planning permission and the disposal will not give rise to a reduction in the market value of the Property or the rental income payable under the occupational leases. In the case of all other Loans, no substitution is permitted and upon disposal, the relevant Loan is to be discharged in full.

THE LOAN SALE AGREEMENTS

1. Acquisition

(A) Consideration

On the Closing Date, the MS Loan Originator will enter into the MS Loan Sale Agreement and the HRE Loan Originator will enter into the HRE Loan Sale Agreement.

Pursuant to the MS Loan Sale Agreement, on the Closing Date the MS Loan Originator will agree to sell and the Issuer will agree to purchase the MS Loans and the MS Loan Related Security, and the MS Loan Originator will assign and transfer to the Issuer its beneficial interests in the MS Loans and the Security Trusts created over the relevant Related Security. The initial purchase consideration in respect of the MS Loans and the beneficial interests in the related Security Trusts will be approximately £206,758,063 in aggregate which will be paid on the Closing Date.

Pursuant to the HRE Loan Sale Agreement, on the Closing Date the HRE Loan Originator will agree to sell and the Issuer will agree to purchase the Lloyds Building Loan and the HRE Loan Related Security, and the HRE Loan Originator will assign and transfer to the Issuer its beneficial interests in the Lloyds Building Loan and the Security Trusts created over the relevant Related Security. The initial purchase consideration in respect of the Lloyds Building Loan and the beneficial interests in the related Security Trusts will be approximately £141,000,000 in aggregate which will be paid on the Closing Date.

On each Interest Payment Date prior to the enforcement of the Issuer Security, the Issuer will pay to each Originator (or to the person then entitled to the whole or any part of the same), to the extent that the Issuer has funds, an amount by way of deferred consideration for the purchase of the Loans and their Related Security (the "**Deferred Consideration**"), which is calculated in respect of the Collection Period ended on the Calculation Date immediately preceding such Interest Payment Date and which is equal to the aggregate of:

(a) the relevant proportion of the Class X Amount;

(b) the Prepayment Fees received as a result of the prepayment of a Loan originated by the relevant Originator (other than principal of or interest on, that Loan) received during that Collection Period. Prepayment Fees payable upon the sale of a Property following enforcement of the relevant Loan and Related Security will be applied as such only upon satisfaction in full of the principal amount outstanding under such Loan and all interest accrued due and payable thereon;

(c) the Swap Breakage Receipts (to the extent that they do not constitute Available Interest Receipts) received as a result of the termination of an Issuer Swap Transaction relating to a Loan originated by the relevant Originator or received from a Borrower as a result of the prepayment of a Loan originated by the relevant Originator; and

(d) the relevant proportion of any surplus Available Interest Receipts payable to the Issuer on the next Interest Payment Date.

The amount of Deferred Consideration comprised by the Class X Amount, Prepayment Fees and surplus Available Interest Receipts will be represented by a Class X Certificate.

(B) Registration and Legal Title

Within 15 Business Days of the Closing Date, written notice will be given to each Borrower and Mortgagor of the transfer of the Loans to the Issuer and written notice will be given to the relevant Loan Security Trustee of the assignment of the relevant Originator's beneficial interests in the Security Trusts to the Issuer and the Issuer's assignment by way of security of such beneficial interests to the Issuer Security Trustee.

2. Representations and Warranties

None of the Issuer, the Issuer Security Trustee or the Note Trustee has made (or will make) any of the enquiries, searches or investigations which a prudent purchaser of the relevant security would normally make in

relation to the Loans or Related Security purchased on the Closing Date. In addition, none of the Issuer, the Issuer Security Trustee or the Note Trustee has made or will make any enquiry, search or investigation at any time in relation to compliance by any Originator, the Master Servicer or any other person with respect to the Lending Criteria or procedures or their adequacy or in relation to the provisions of the relevant Loan Sale Agreement, the Master Servicing Agreement or the Deed of Charge and Assignment or in relation to any applicable laws or the execution, legality, validity, perfection, adequacy or enforceability of any Loan or the Related Security purchased on the Closing Date.

In relation to all of the foregoing matters concerning the Loans and the Related Security and the circumstances in which advances were made to Borrowers prior to their purchase by the Issuer, the Issuer, the Issuer Security Trustee and the Note Trustee will rely entirely on the warranties to be given by the relevant Originator to the Issuer, the Issuer Security Trustee and the Note Trustee which are contained in the applicable Loan Sale Agreements.

If there is a material breach of any warranty in relation to any Loan or Related Security (details of which are set out below) and such breach is not capable of remedy or, if capable of remedy, has not been remedied, the relevant Originator will be obliged, if required by the Issuer Security Trustee, to repurchase such Loan and to accept a reassignment of its beneficial interests in the relevant Security Trusts from the Issuer for an aggregate amount equal to the outstanding principal amount under the relevant Loan together with Interest accrued (but not yet payable) and costs and expenses up to, but excluding, the date of the repurchase, less any Issuer Principal Receipts received by the Issuer in respect of the Loans since the Closing Date. The Issuer will have no other remedy in respect of such a breach unless the relevant Originator, as applicable, fails to purchase the relevant Loan, and to accept a reassignment of its beneficial interests in the relevant Security Trusts in accordance with the relevant Loan Sale Agreement. The Issuer will have no recourse against an Originator in respect of any breach of the applicable Loan Sale Agreement by the other Originator or any breach of a representation and warranty by that other Originator.

The warranties referred to will include, without limitation (but subject to disclosures in the relevant Loan Sale Agreement and as disclosed in this Prospectus) statements to the following effect:

(a) each Property constitutes investment property let predominantly for commercial use and is either freehold, heritable or leasehold;

(b) in relation to each Mortgage, the Mortgagor had, as at the date of that Mortgage, a good and marketable title to the fee simple absolute in possession or a term of years absolute in the relevant Property and (i) is the legal and beneficial owner of the relevant Property, or (ii) where legal and beneficial interests in the Property are split, is the legal owner of the Property and holds the beneficial interest on trust which beneficial interest is either overreached or charged. This is adapted as appropriate in the case of the Property situated in Scotland;

(c) in relation to each Property situated in England and Wales, the title has been registered at H.M. Land Registry with title absolute in the case of freehold property or absolute or good leasehold title in the case of leasehold property;

(d) in relation to the Property situated in Scotland, title thereto has been registered in the General Register of Sasines or Land Register of Scotland (as applicable);

(e) each Property was, as at the date of the relevant Mortgage, held by the Mortgagor free (save for the relevant Mortgage and any other applicable element of the Related Security) from any encumbrance which would materially adversely affect such title or the value for mortgage purposes set out in the Origination Valuation (including any encumbrance contained in the leases relevant to such Properties);

(f) (A) each Loan constitutes a valid and binding obligation of, and is enforceable against, the relevant Borrower; (B) each Mortgage is a valid and subsisting first charge by way of legal mortgage, or standard security on the Property to which such Mortgage relates; (C) the relevant Loan Security Trustee has a good title to each Mortgage, including, in the case of the Property situated in Scotland, the Standard Security, respectively, at law and all things necessary to complete the relevant Loan Security Trustee's title to each Mortgage have been duly done at the appropriate time or are in the process of being done; (D) the relevant Loan Security Trustee is the legal owner of each Mortgage free and clear of all encumbrances, overriding interests (other than those to which the Property is subject), claims and equities and there were at the time of completion of the relevant Mortgage no adverse entries of encumbrances, or applications for adverse entries of

encumbrances against any title at H.M. Land Registry or the Registers of Scotland (as applicable) to any related Property which would rank higher in priority to the relevant Loan Security Trustee's or (as applicable) Originator's interests therein; and (E) the relevant Originator is the legal and beneficial owner of each Loan free and clear of all encumbrances, claims and equities;

(g) prior to completion of the relevant Loan and Mortgage, a report on title or certificate of title (addressed to the relevant Originator) in relation to the relevant Property was obtained which initially or after further investigation disclosed nothing which would cause a reasonably prudent lender of money secured on commercial property to decline to proceed with the advance on its agreed terms;

(h) prior to the date of each Loan and Mortgage, the nature of, and amount secured by, the relevant Loan and Mortgage and the circumstances of that Borrower and Mortgagor would, as at that date, have been acceptable to a reasonably prudent lender of money secured on commercial property;

(i) the relevant Originator is not aware of any material default, material breach or material violation under any Loan or Related Security which has not been remedied, cured or waived (but only in a case where a reasonably prudent lender of money secured on commercial property would grant such a waiver) nor of any outstanding material default, material breach or material violation by a Borrower or a Mortgagor under any Loan or its Related Security, as the case may be, nor of any outstanding event which with the giving of notice or lapse of any grace period would constitute such a default, breach or violation;

(j) pursuant to the terms of each Loan, no Borrower is entitled to exercise any right of set-off or counterclaim against the relevant Originator in respect of any amount that is payable under the Loans;

(k) the relevant Originator has not received written notice of any default of any occupational lease granted in respect of the Property or of the insolvency of any tenant which would render the relevant Property unacceptable as security for the Loan secured by the relevant Mortgage over that Property in the context of the Lending Criteria;

(l) the relevant Originator is not aware of any circumstances giving rise to a material reduction in the value of any Property since the origination of the Loan or, if later, the last annual review (being either a written or verbal valuation) other than market forces affecting the values of the properties comparable to the relevant Property in the area where the relevant Property is located;

(m) as at the Closing Date, to the best of the relevant Originator's knowledge (as appropriate), each Property (except in relation to the Property securing the Environment Agency Building Loan) is covered by an insurance policy maintained by the Mortgagor or another person with an interest in the relevant Property in an amount which is equal to or greater than the amount which a qualified surveyor or valuer engaged by the relevant Originator estimated to be equal to such Property's reinstatement value or otherwise included by the insurers under a "general interest noted" provision in the relevant policy; and

(n) the relevant Originator undertook all due diligence that a prudent commercial lender would undertake to establish and confirm that each of the Borrowers has not engaged since its formation or incorporation in any activity other than those incidental to its formation or incorporation entering into the relevant Loan and related Mortgage and other Related Security and has not had since its incorporation nor does it have as at the Closing Date any material liability or assets other than the relevant Loan and related Properties providing security for such Loan.

Save to the extent set out in clauses (a) through (n) above, no warranties will be given in relation to any Related Security given in respect of any Loan. Therefore, except to the limited extent of the aforementioned warranties, there can be no assurance that there will be any Related Security for a Loan or, if there is, that such Related Security will be of any value in connection with the enforcement of any Loan or will realise any moneys which can be applied in satisfaction of any amounts outstanding from any Borrower under the relevant Loan.

Each of the Loan Sale Agreements also contains a representation from the relevant Originator to the Issuer, the Issuer Security Trustee and the Note Trustee to the effect that (in relation to the Loan or Loans which such Originator originated) the information in this Prospectus with regard to that Originator, its lending criteria and due diligence, the administration of the Loans, the Loans, the Related Security, the Security Trusts, the Properties and the relevant buildings insurance policies that is material in the context of the issue and the

offering of the Notes, is true and accurate in all material respects and is not misleading in any material respect. Only the Issuer, the Issuer Security Trustee and the Note Trustee may rely upon this representation from the Originators. Breach of this representation will not give rise to any obligation on either Originator to repurchase any Loan but would enable the Issuer to claim damages from the relevant Originator in respect of any loss incurred as a result of such breach.

THE STRUCTURE OF THE ACCOUNTS

1. The Borrower Accounts

In accordance with the terms of each of the Credit Agreements, each of the Borrowers is required to establish or procure that there is established an account (a "**Rent Account**") into which sums representing the rents payable by the tenants and other occupiers of the relevant Property or Properties are to be paid.

In cases where sales of a Property or Properties and partial redemption of a Loan are permitted, the Borrower is required to maintain a blocked account (each a "**Sales Account**" and together, the "**Sales Accounts**") into which net sales proceeds are to be paid.

In the case of the Halton Lea Shopping Centre Loan, the Borrower is required to establish blocked accounts (each, an "**Escrow Account**" and together, the "**Escrow Accounts**") which are charged in favour of the MS Loan Security Trustee and over which the MS Loan Security Trustee has sole signing rights. The amount on deposit in such Escrow Accounts is an agreed amount to meet estimated future service charge shortfalls. Also, in the event that the lenders under the Halton Lea Shopping Centre Loan serve notice on the Borrower requiring Advance B of the loan to be drawn down in anticipation of securitisation, Advance B is to be deposited in a retention account (the "**Retention Account**"). Once the MS Loan Security Trustee has been notified that the Wilkinson Lease has been granted, the MS Loan Security Trustee shall use the amount in the Retention Account to prepay the loan so as to ensure that the projected interest cover percentage during the immediately succeeding 12 months are maintained at or above 100 per cent. (or 108 per cent. after the rent free period under the occupational lease has expired). Provided that there is no default subsisting under such loan, and the MS Loan Security Trustee is satisfied (in its absolute discretion) with the terms of the Wilkinson Lease at that date, any balance shall be paid to the Borrower and/or the Mortgagor as either of them directs.

In relation to the Grays Shopping Centre Loan, the Borrower is to open and maintain a deposit account (the "**Deposit Account**") into which payments are to be made in lieu of rental income so as to ensure that the actual interest cover percentage exceeds 110 per cent. at all times. The Borrower is also required to open and maintain a general account (the "**General Account**"). The following amounts are to be deposited in the General Account:-

(i) provided there is no default outstanding, any amount deposited in the Deposit Account which is in excess of the amount required to ensure that the actual interest cover percentage exceeds 110 per cent.;

(ii) if on any interest payment date the actual interest cover percentage is equal to or greater than 125 per cent., any surplus standing to the credit of the Rent Account after payment of monies due under the finance documents;

(iii) if, on any interest payment date the actual interest cover percentage is below 125 per cent., any surplus monies (as described at (ii) above) standing to the credit of the Rent Account, in order to enable the Borrower to meet service charge shortfalls or other liabilities associated with the Property; and

(iv) any amount received by the Borrower not specifically required by the Credit Agreement to be paid into any other account.

Subject to any restrictions in the Grays Shopping Centre Loan subordination agreement and if no default is outstanding under the finance documents, the Borrower may withdraw any amount from the General Account.

Each such Rent Account, Sales Account, Escrow Account, Retention Account, Deposit Account and General Account is expressed to be subject to a first fixed charge (or equivalent) in favour of the relevant Loan Security Trustee which is held on trust for the benefit of the relevant Originator. The beneficial interests of the relevant Originator in such trusts (which constitute part of the Security Trusts) will be assigned to the Issuer on the Closing Date under the relevant Loan Sale Agreement.

The Borrowers are required to make payments in arrear in respect of their Loans by one of the following methods:

(a) where a managing agent independent of the Borrower or Mortgagor has been appointed on behalf of a Borrower (each, a "**Managing Agent**"), the Managing Agent will collect all rent, service charges and value added tax from tenants and promptly pay these (net of any ground rent, service charges and value added tax)

into a Rent Account in the name of the Borrower or Mortgagor. Each relevant Borrower has agreed to ensure or to procure that any Managing Agent ensures that all net rental income is paid into the applicable Rent Account, and the Issuer will have the benefit of a Duty of Care Agreement from the Managing Agent under the terms of which the Managing Agent agrees to collect rent and to notify the Issuer of any tenant breach of covenant, any damage to the Property or the termination of its own appointment; or

(b) where no Managing Agent has been appointed on behalf of a Borrower (or the managing agent is connected with the Borrower or Mortgagor), tenants will be required to pay rent directly to the Borrower's Rent Account.

In each case, the relevant Loan Security Trustee or facility agent, is and, following the sale of the Loans and assignment of the beneficial interests in the Security Trusts created over the Related Security to the Issuer, will remain the sole signatory on the Rent Accounts, the Retention Account, the Sales Accounts and the Escrow Accounts. Under the Credit Agreements relating to the Loans, the relevant Loan Security Trustee or facility agent will be entitled to withdraw on each Loan Payment Date all amounts due to the Issuer under the applicable Loan before other payments are released to the Borrower from the applicable accounts.

2. The Tranching Accounts

In relation to each Tranched Loan, pursuant to the provisions of the relevant Intercreditor Agreement, the relevant facility agent maintains an account (the "**Tranching Account**") and, together with the Senior Lender and Junior Lender, ensures that on each interest payment date for so long as no Material Senior Default is outstanding, all payments to the Senior Lender and Junior Lender paid in respect of the finance documents and any amounts received under any hedging arrangements, are paid into the Tranching Account for application in the following order: (a) first, payment of any unpaid fees, costs and expenses of the Senior Lender and Junior Lender and/or the facility agent under the finance documents; (b) secondly, payment of any sum due under the hedging arrangements; (c) thirdly, payment to the Senior Lender and Junior Lender of any accrued interest due under the finance documents; and (d) fourthly, payment of any other amounts due but unpaid under the finance documents.

3. Payments to the Transaction Account

Except in relation to the St. Enoch Loan, the Master Servicer shall, on behalf of the relevant Loan Security Trustee, arrange the transfer of amounts paid into the Rent Account in respect of each Loan which has been purchased by the Issuer, to the Transaction Account as described below. In relation to the St. Enoch Loan, the Master Servicer shall monitor compliance by the servicing agent of the St. Enoch Loan of its obligations to distribute to the lenders under the St. Enoch Loan, amounts paid into the relevant Rent Account. The Master Servicer shall instruct the servicing agent of the St. Enoch Loan to pay amounts due to the Issuer into the Transaction Account.

4. The Issuer Accounts

The Transaction Account

Pursuant to the Cash Management Agreement, the Operating Bank will open and maintain an account beneficially owned by the Issuer (the "**Transaction Account**") into which each Loan Security Trustee (other than the St. Enoch Loan Security Trustee) will, on the basis of information provided by the Master Servicer, transfer all amounts due from the Borrowers under the Loans. The Cash Manager will arrange for all payments that are required to be made on behalf of the Issuer, to be made from the Transaction Account.

The Swap Collateral Cash Account and the Swap Collateral Custody Account

Any cash amounts received by the Issuer pursuant to the Issuer Swap Agreement Credit Support Document will be paid into an interest bearing account in the name of the Issuer with the Operating Bank (the "**Swap Collateral Cash Account**") and securities received by the Issuer pursuant to the Issuer Swap Agreement Credit Support Document will be deposited into a custody account (the "**Swap Collateral Custody Account**"). Both the Swap Collateral Cash Account and the Swap Collateral Custody Account shall be held with the Operating Bank. From time to time, subject to the conditions specified in the Issuer Swap Agreement Credit Support Document, the Issuer Swap Provider will make transfers of collateral to the Issuer in support of its obligations

under the Issuer Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Issuer Swap Agreement Credit Support Document.

The Stand-by Account

Any Stand-by Drawing which the Issuer may require from the Liquidity Facility Provider (for further information, see "Credit Structure – Liquidity Facility" at page 136) will be credited to an account in the name of the Issuer (the "**Stand-by Account**" and, together with the Transaction Account, the Swap Collateral Cash Account and the Swap Collateral Custody Account, the "**Issuer Accounts**") with the Liquidity Facility Provider or, if the Liquidity Facility Provider ceases to have a "F1" rating (or its equivalent) by Fitch or an "A-1+" rating (or its equivalent) by S&P for its short-term, unguaranteed, unsecured and unsubordinated debt obligations (or such other short-term debt rating as is commensurate with the rating assigned to the Notes from time to time) (the "**Requisite Rating**"), the Operating Bank or, if the Operating Bank ceases to have the Requisite Rating, any bank which has the Requisite Rating.

THE LOAN POOL OVERVIEW

For the purposes of the tables in this section, the following assumptions and definitions were used.

"**Cut-Off Date**" means 30th June, 2005.

"**Loan Balance**" means Loan Balances as at the Cut-Off Date, and include only securitised pieces, i.e. Senior Tranches of the Admiral Portfolio Loan, Halton Lea Shopping Centre Loan, Grays Shopping Centre Loan, Normandy House Loan and 50% of the Loan Balance for the St. Enoch Loan.

"**Market Valuation**" means valuations performed on or about the respective loan origination dates.

"**Gross Rental Income**" means contractual Rental Income from tenants.

"**Net Rental Income**" means Gross Rental Income less headlease rent, property irrecoverables, service charge shortfalls and management fees.

"**Net Initial Yield**" refers to the net initial yield on origination of a loan, as per the individual loan Origination Valuation Report.

"**All-In Rate**" means the fixed interest ratio (or, in the case of the Lloyds Building Loan, the relevant swap rate), including margin and credit charge where applicable, payable by the Borrower.

"**ICR**" means the interest cover ratio which is calculated for each loan as the aggregate Net Rental Income generated by the Properties securing such Loan, divided by the interest expense due on the same Loan calculated for next four interest periods on a forward looking basis.

"**DSCR**" means the debt service cover which is calculated for each loan as the aggregate Rental Income generated by the Properties securing such Loan, divided by the total interest expense plus scheduled amortisation due on the same Loan calculated for next four interest periods on a forward looking basis.

"**Weighted Average Unexpired Lease/Loan Terms**" are calculated from the Cut-Off Date until the earlier of the respective lease termination date and the first break option date (where applicable), weighted by their respective Loan Balances.

"**Weighted Average Cut-Off Date LTV/Cut-Off Date ICR/Cut-Off Date DSCR/Balloon LTV**" are weighted by their respective Loan Balances.

"**Occupational Leases**" refer to tenants with occupational lease agreements. It counts separately Tenants occupying more than one unit and/or storage areas.

"**Distinct Tenants**" refer to tenants such as group companies which may have more than one occupational lease, but may be aggregated for the purposes of these tables.

For the purposes of calculating Loan Balances, Market Valuations, LTVs, Rental Income and Areas, the 50 per cent. applicable to the St. Enoch Loan has been used.

For the purposes of calculating the LTV/Weighted Average LTV for the Halton Lea Shopping Centre, £1,310,000 held in an escrow account and available to be drawn upon by the Borrower was not included in the Loan Balance.

Table 1

Loan Pool Overview

Loan Pool Overview	
Aggregate Loan Balance:	£347,820,543
Total Market Valuation:	£539,970,000
Weighted Average Cut-Off Date LTV:	64.4%
Number of Loans / Properties:	8 Loans/ 18 Properties
Largest Loan as a percentage of Aggregate Loan Balance[1]:	40.5%
Weighted Average Remaining Loan Term	6.2 years
Number of Occupational Leases:	336
Number of Distinct Tenants:	280
Occupancy Rate by Area:	97.3%
Weighted Average Cut-Off Date ICR:	182.5%
Weighted Average Cut-Off Date DSCR:	181.0%
Weighted Average Balloon LTV:	64.1%
Weighted Average Unexpired Lease Term to Expiry Date:	17.4 years
Weighted Average Unexpired Lease Term earlier of First Break and Expiry Date:	13.0 years

Table 2

Loan Pool Summary Table

Loan Number	Loan Name	Loan Originator	Cut-Off Date Loan Balance (£MM)	Percent of Aggregate Cut-Off Date Loan Balance	Number of Properties	Property Type	Number of Occupational Leases	Weighted Average Unexpired Lease Term to First Break Date (years)	Unexpired Loan Term (years)	All-In Rate	Cut-Off Date ICR	Market Valuation (£MM)	Cut-Off Date LTV	Loan Balance at Maturity (£MM)	Exit LTV	Cut-Off Date B Loan Balance (£MM)
1	Lloyds Building	HRE	141.0	40.5%	1	Office	1	15.7	6.8	5.5%	215.2%	231.0	61.0%	141.0	61.0%	n/a
2	St Enoch Shopping Centre	Deutsche Bank (50%), MS (50%)	95.0	27.3%	1	Retail	111	14.6	6.8	5.5%	142.3%	136.3	69.7%	95.0	69.7%	n/a
3	The Admiral Portfolio	MS	39.0	11.2%	11	Office / Retail	75	5.0	4.6	6.3%	196.2%	61.3	63.7%	39.0	63.7%	8.8
4	Halton Lea Shopping Centre	MS	35.4	10.2%	1	Retail	79	12.8	5.3	6.1%	146.6%	55.0	62.0%	35.4	62.0%	9.3
5	Grays Shopping Centre	MS	20.7	6.0%	1	Retail	58	7.3	4.8	5.9%	180.1%	32.6	63.6%	20.7	63.6%	4.8
6	Normandy House	MS	7.4	2.1%	1	Office	1	9.5	4.8	5.4%	210.4%	11.7	62.8%	7.4	62.8%	2.0
7	Money Centre	MS	6.5	1.9%	1	Office	10	5.7	5.8	6.9%	157.7%	8.7	75.1%	5.6	64.7%	n/a
8	The Environment Agency	MS	2.8	0.8%	1	Office	1	8.4	5.3	6.3%	158.6%	3.5	80.9%	2.1	61.0%	n/a
Total/ WA	**-**	**-**	**347.8**	**100.0%**	**18**	**-**	**336**	**13.0**	**6.2**	**-**	**182.5%**	**540.0**	**64.4%**	**346.2**	**64.1%**	**24.8**

[1] The Lloyds Building Loan

Table 3

Property Summary Table

Loan Number	Building Name	Loan Name	UK Region	Market Valuation (£MM)	Percent of Aggregate Market Valuation	Area (Sq Ft)	Percentage of Aggregate Area	Number of Occupational Tenants	Net Rental Income (£)	Percentage of Aggregate Net Rental Income	Net ERV (£)	Largest Tenant	Weighted Average Unexpired Lease Term (years)
1	Lloyds Building	Lloyds Building	Greater London	231.00	42.8%	364,000	19.5%	1	16,766,500	46.3%	10,950,000	Society of Lloyds[1]	15.7
2	St Enoch Shopping Centre	St Enoch Shopping Centre	Scotland	136.25	25.2%	382,246	20.5%	111	7,479,486	20.7%	8,331,457	Debenhams Properties Ltd	14.6
3	Halton Lea Shopping Centre	Halton Lea Shopping Centre	North West	55.00	10.2%	366,334	19.7%	79	3,154,413	8.7%	3,744,520	Tesco Stores Ltd[2]	12.8
4	Grays Shopping Centre	Grays Shopping Centre	South East	32.60	6.0%	228,132	12.2%	58	2,188,036	6.0%	2,679,215	Secretary of State for the Environment, Food and Rural Affairs[3]	7.3
5	Normandy House	Normandy House	South	11.70	2.2%	75,130	4.0%	1	834,315	2.3%	925,275	IBM (United Kingdom) Ltd[4]	9.5
6	Berwick House	The Admiral Portfolio	West Midlands	10.30	1.9%	60,485	3.2%	18	761,777	2.1%	897,791	Accountancy Tuition Centre	2.7
7	Northside House	The Admiral Portfolio	Greater London	9.40	1.7%	54,047	2.9%	10	735,921	2.0%	762,559	Secretary of State for the Environment, Food and Rural Affairs	5.7
8	Valentines House	The Admiral Portfolio	Greater London	9.10	1.7%	55,085	3.0%	13	765,222	2.1%	781,643	Yangming UK Ltd	4.4
9	Money Centre	Money Centre	South West	8.65	1.6%	73,552	3.9%	10	695,064	1.9%	767,870	Western Mortgage Services Ltd[5]	5.7
10	Mitre Retail Park	The Admiral Portfolio	West Midlands	7.50	1.4%	46,495	2.5%	3	465,635	1.3%	476,100	Wickes Building Supplies Ltd	12.0
11	100 Broad Street	The Admiral Portfolio	West Midlands	5.90	1.1%	33,612	1.8%	2	484,016	1.3%	454,600	Secretary of State for the Environment, Food and Rural Affairs	4.0
12	Ocean House	The Admiral Portfolio	Greater London	5.40	1.0%	20,120	1.1%	8	570,538	1.6%	362,050	The Association of Corporate Treasurers	1.5
13	37 Lombard Street	The Admiral Portfolio	Greater London	4.45	0.8%	10,533	0.6%	6	360,966	1.0%	195,639	Fortis Clearing London [6]	5.2
14	Pate Court	The Admiral Portfolio	South West	3.60	0.7%	27,635	1.5%	12	274,576	0.8%	293,920	Hogg Robinson Travel	5.6
15	The Environment Agency	The Environment Agency	North West	3.50	0.6%	18,800	1.0%	1	278,400	0.8%	205,370	The Environment Agency	8.4
16	SCS Unit	The Admiral Portfolio	Greater London	2.50	0.5%	24,987	1.3%	1	175,000	0.5%	175,000	A Smith and Sons Ltd	9.0
17	Portman House	The Admiral Portfolio	South East	2.17	0.4%	19,045	1.0%	1	172,000	0.5%	151,600	Secretary of State for the Environment, Food and Rural Affairs	7.3
18	Bentinck Mews	The Admiral Portfolio	Greater London	0.95	0.2%	2,661	0.1%	1	49,995	0.1%	58,195	Advertising Marketing Research	1.6
Total:	**-**	**-**	**-**	**539.97**	**100.0%**	**1,862,899**	**100.0%**	**336**	**36,211,860**	**100.0%**	**32,212,804**	**-**	**-**

[1] Rated A/ A by S&P/ Fitch Ratings
[2] Rated A+/ A1/ A+ by S&P/ Moody's/ Fitch
[3] Rated AAA/Aaa/AAA as government entity
[4] Parent company, IBM Corporation, rated A+/ A1/ AA- by S&P/ Moody's/ Fitch
[5] Parent company, Britannia Building Society, rated A/ A2/ A+ by S&P/ Moody's/ Fitch
[6] Rental income guaranteed by SNC Securities

Table 4

Lease Expiry Analysis

From (Years From Cut-Off Date)	To (Years From Cut-Off Date)	Number of Occupational Leases which Expire (to earlier of break or expiry date)	Gross Rental Income (£)	Percentage of Gross Rental Income
-	Holding Over	29	398,236	1.1%
0	1	26	970,082	2.6%
1	2	38	1,893,259	5.1%
2	3	15	595,428	1.6%
3	4	28	982,864	2.7%
4	5	24	1,333,188	3.6%
5	6	19	1,001,491	2.7%
6	7	18	1,117,260	3.0%
7	8	14	875,425	2.4%
8	9	42	3,740,005	10.1%
9	10	28	2,403,055	6.5%
10	11	7	451,853	1.2%
11	12	10	1,250,935	3.4%
12	13	6	231,000	0.6%
13	14	6	296,500	0.8%
14	15	4	53,583	0.1%
15 and above	**-**	22	19,355,168	52.4%
Total:		**336**	**36,949,330**	**100.0%**

Table 5

Property Type by Market Valuation

Property Type	Number of Properties	Market Valuation	Percentage of Aggregate Market Valuation
Office	13	306,120,000	56.7%
Retail	5	233,850,000	43.3%
Total:	**18**	**539,970,000**	**100.0%**

Table 6

Property Region

Region	Number of Properties	Aggregate Market Valuation	Percentage of Aggregate Market Valuation
Greater London	7	262,800,000	48.7%
North West	2	58,500,000	10.8%
Scotland	1	136,250,000	25.2%
South East	2	34,770,000	6.4%
South West	2	12,250,000	2.3%
West Midlands	3	23,700,000	4.4%
South	1	11,700,000	2.2%
Total:	**18**	**539,970,000**	**100.0%**

Table 7

Top 20 Tenant Overview

Tenant Ranking	Tenant Name	Rating (S&P/ Fitch/ Moodys)	Gross Rental Income (£pa)	Percentage of Gross Rental Income	Cumulative Percentage	Area (sq ft)	Lease Start Date	Lease Break Date	Lease Expiry Date
1	Society of Lloyds	A/A/NR	16,766,500	44.9%	44.9%	364,000	15/02/96	24/03/21	15/02/31
2	Secretary of State for the Environment, Food & Rural Affairs	AAA/Aaa/ AAA	1,003,916	2.7%	47.6%	84,767	25/12/74	-	24/12/16
3	IBM (United Kingdom) Ltd[1]	-	987,355	2.6%	50.2%	75,130	25/12/84	-	24/12/14
4	Debenhams Properties Ltd	-	975,000	2.6%	52.8%	145,517	01/07/91	-	23/06/23
5	GPS (Great Britain) Ltd	-	560,600	1.5%	54.3%	11,704	28/09/88	-	29/09/13
6	HMV (UK) Ltd	-	463,375	1.2%	55.6%	9,592	05/10/88	-	29/09/13
7	Bhs Ltd	-	412,500	1.1%	56.7%	44,066	11/07/88	-	10/07/87
8	Western Mortgage Services Limited[2]	-	379,914	1.0%	57.7%	39,875	22/11/04	22/11/09	21/11/14
9	Top Shop/Top Man Properties Ltd	-	332,100	0.9%	58.6%	10,931	26/09/88	-	29/09/13
10	Etam PLC	-	300,000	0.8%	59.4%	15,173	25/12/89	-	24/12/14
11	Boots Chemists Ltd[3]	-	292,000	0.8%	60.2%	22,798	29/09/95	-	28/09/10
12	The Environment Agency	-	278,400	0.7%	60.9%	18,800	05/06/98	05/12/13	05/06/23
13	Wallis Retail Properties Ltd	-	278,250	0.7%	61.7%	9,908	25/03/99	-	19/11/16
14	Wickes Building Supplies Limited	-	270,728	0.7%	62.4%	28,115	24/06/92	-	23/06/17
15	Prudential Unit Trust	-	246,883	0.7%	63.1%	17,270	01/11/84	-	30/10/09
16	Birmingham and Solihull Connexions Services	-	230,000	0.6%	63.7%	17,645	01/04/96	-	31/03/07
17	Tesco Stores Ltd	NR/A+/A1	220,000	0.6%	64.3%	72,335	04/11/92	-	25/10/70
18	The Association of Corporate Treasurers	-	215,050	0.6%	64.8%	6,660	01/06/88	-	31/12/06
19	Virgin Retail Ltd	-	211,875	0.6%	65.4%	6,663	05/10/88	-	29/09/13
20	Burton/Dorothy Perkins Properties Ltd		188,500	0.5%	**65.9%**	5,690	19/03/89	-	18/03/14
	Top 20 Total:	**-**	**24,612,946**	**65.9%**	**-**	**1,006,636**	**-**	**-**	**-**
	Remaining Tenants	-	12,336,384	33.0%	99.0%	856,263	-	-	-
	Parking and Other Income	-	390,570	1.0%	100.0%	-			
	Total:	**-**	**37,339,900**	**100.0%**	**-**	**1,862,899**	**-**	**-**	**-**

[1] Parent company, IBM Corporation, rated A+/ A1/ AA- by S&P/ Moody's/ Fitch
[2] Parent company, Britannia Building Society, rated A/ A2/ A+ by S&P/ Moody's/ Fitch
[3] Parent company, Boots Group Plc, rated BB+/Baa1/A- by S&P/Moody's/Fitch

LOAN AND RELATED PROPERTY SUMMARIES

Lloyds Building Loan

Loan Information	
Borrower	One Lime Street London GmbH & Co
Sponsor	Commerz Leasing & Immobilien
Origination Date	31/01/05
Maturity Date	20/04/12
Cut-Off Date Balance	£141,000,000
Next Payment Date	20/07/05
Cut-Off Date LTV	61.0%
Exit LTV	61.0%
Type of Amortisation	Bullet
Interest Rate Type	Floating Rate
All-In Rate[1]	5.525%
Interest Rate Calculation	Actual/365
Cut-Off Date ICR	215.2%
Cut-Off Date DSCR	215.2%
Dividend Trap	N/A
Interest Cover Covenant	105%
Pledged Rent Account	Yes
Escrow Account	N/A
A/B Loan Structure	No
B Piece Balance at Cut-Off Date	N/A

Property Information				
Single Asset / Portfolio				Single Asset
City				London
Location				City of London, EC3
Year Built				1986
Number of Properties				1
Type of Property				Office
The Collateral				The Lloyds Building
Market Valuation				£231,000,000
Net Rental Income				£16,766,500
Net Initial Yield				6.86%
Tenure				Freehold
Valuer				Atis Real Weatheralls
Date of Valuation				17/12/04
Square Footage				364,000
Occupancy by Area				100.0%
Major Tenant	**% SqFt**	**Gross Rent(£)**	**Gross % Rent**	
Society of Lloyds	100%	16,766,500	100%	

The Loan

The purpose of the Lloyds Building Loan was to assist the Borrower in the acquisition of The Lloyds Insurance Building (known as The Lloyds Building) in the City of London, EC3

[1] This is the All-In Rate as per the fixed all-in swap rate payable by the Borrower on the Lloyds Building Loan

Instalments Schedule	
Payment Date Falling In	**Amount of Repayment Instalment (£)**
Jul 2005	**0**
Oct 2005	**0**
Jan 2006	**0**
Apr 2006	**0**
Jul 2006	**0**
Oct 2006	**0**
Jan 2007	**0**
Apr 2007	**0**
Jul 2007	**0**
Oct 2007	**0**
Jan 2008	**0**
Apr 2008	**0**
Jul 2008	**0**
Oct 2008	**0**
Jan 2009	**0**
Apr 2009	**0**
Jul 2009	**0**
Oct 2009	**0**
Jan 2010	**0**
Apr 2010	**0**
Jul 2010	**0**
Oct 2010	**0**
Jan 2011	**0**
Apr 2011	**0**
Jul 2011	**0**
Oct 2011	**0**
Jan 2012	**0**
Apr 2012	**141,000,000**

The Property

The Lloyds Building Loan is secured by one property, the Lloyds Building, which was valued by Atis Real Weatheralls at £231,000,000 as at 17 December, 2004.

The property was purpose built for the tenant. The internal floor area is approximately 364,000 sq. ft. The building was completed in 1986 and replaced two buildings located on the site prior to the redevelopment. The properties were known as the Cooper Building, dating from 1929, which was built by Lloyd's and Royal Mail House dating from 1928.

There is evidence of Alkali Silica Reaction ("**ASR**") found in the building. The presence of ASR it is not considered to be structurally significant now or in the future, nor is it expected to reduce the design life of the structure or incur significant or disproportionate maintenance costs.[1]

The Credit Agreement requires the Borrower to commission an annual survey in order to monitor the effects of ASR. The risk of ASR is therefore not considered material in the context of the Loan (particularly in view of the relatively low LTV Ratio referred to in the table above), however no assurance can be given that ASR will not adversely affect the structure, or that the building is structurally sound and will be capable of being used for its intended purpose.

[1] Source: FDP Savills building survey report dated December 2004

Tenancies

The whole of the building is let to the Society of Lloyds which was established by an act of Parliament in 1871. For further information concerning the composition and structure of the Society, see "Risk Factors – The Lloyds Building Loan" at page 37.

The lease was granted for a term of 35 years from 15th February, 1996. The Society has two options to break their lease on the 24th March, 2021 and the 24th March, 2026 (in effect, there will be approximately 9 years of unexpired lease remaining until the first tenant break option at the maturity of this Loan).

The Borrower

The Borrower is One Lime Street London GmbH & Co. KG, a German limited liability partnership. For further information, see "The Borrowers" at page 61 and "First Principal Borrower" at Part A of Appendix 1 at page 197.

Lease Expiration Summary

The following table shows scheduled lease expirations for the Property financed by the Lloyds Building Loan:

Lease Roll-over Schedule

Year	# Leases Rolling	SqFt Rolling	% of total SqFt Rolling	Cumulative % of SqFt Rolling	Annual Gross Rental Income Rolling (£)	Average Total Gross Rental Income per SqFt Rolling	% of Total Gross Rental Income Rolling	Cumul. % of Total Gross Rental Income Rolling
2021	1	364,000	100.0%	100.0%	£16,766,500	£46.1	100.0%	100.0%
Vacant Space	0	-	0.0%	100.0%	-	-	0.0%	100.0%
Total/Average	**1**	**364,000**	**100.0%**	**-**	**£16,766,500**	**£46.1**	**100.0%**	**-**

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the Property financed by the Lloyds Building Loan:

Largest Tenants based on Annual Rent								
Tenant	Credit Rating S&P/ Moody's/ Fitch	Tenant SqFt	% of total SqFt	Annual Gross Rental Income (£)	% of Total Annual Gross Rental Income	Current Annualised Gross Rental Income per SqFt	Lease Expiration	First Break Date
Society of Lloyds	A/-/A	364,000	100.0%	16,766,500	100.0	46.1	14/02/2031	24/03/2021
Top 10 Tenants Total (Gross)/ Average	-	364,000	**100.0%**	16,766,500	**100.0%**	46.1	-	-
Other Tenants	-	-	0.0%	-	0.0%	-	-	-
Parking and Other Income	-	-	0.0%	-	0.0%	-	-	-
Vacant Space	-	-	0.0%	-	0.0%	-	-	-
Portfolio Total (Gross)/ Average	**-**	**364,000**	**100.0%**	**16,766,500**	**100.0%**	**46.1**	**-**	**-**
Irrecoverables/ Headlease Rent	-	-	0.0%	-	0.0%	-	-	-
Portfolio Total (Net)/ Average	-	364,000	**100.0%**	16,766,500	**100.0%**	46.1	-	-

St. Enoch Loan

Loan Information	
Borrower Name	St Enoch Centre Unit Trust
Sponsor	Mills Corporation & Ivanhoe Cambridge Joint Venture
Origination Date	31/01/05
Maturity Date	23/04/12
Cut-Off Date Balance[1]	£95,000,000
Next Payment Date	22/07/05
Cut-Off Date LTV	69.7%
Exit LTV	69.7%
Type of Amortisation	Bullet
Interest Rate Type	Fixed Rate
All-In Rate	5.532%
Interest Rate Calculation	Actual/ 365
Cut-Off Date ICR	142.4%
Cut-Off Date DSCR	142.4%
Dividend Trap	110%
Interest Cover Covenant	100%
Pledged Rent Account	Yes
Escrow Account	No
A/B Loan Structure	No
B Piece Balance at Cut-Off Date	n/a

Property Information	
Single Asset / Portfolio	Single Asset
City	Glasgow
Location	Scotland
Year Built	1989
Number of Properties	1
Type of Property	Retail
The Collateral	St Enoch Shopping Centre
Market Valuation	£272,500,000
Net Rental Income	£14,958,972
Net Initial Yield	5.2%
Tenure	Feuhold
Valuer	CBRE
Date of Valuation	31/1/05
Square Footage	764,491
Occupancy by Area	98.0%

Major Tenants	**% SqFt**	**Gross Rent (£)**	**Gross % Rent**
Debenhams Properties Ltd	38.1%	1,950,000	12.4%
GPS (Great Britain) Ltd	3.1%	1,121,000	7.1%
HMV (UK) Ltd	2.5%	926,750	5.9%
Bhs Ltd	11.5%	825,000	5.3%
Top Shop/Top Man Properties Ltd	2.9%	664,200	4.2%

The Loan

In January 2005, a loan of £190,000,000 was made to the St. Enoch Unit Centre Trust to acquire the St. Enoch Shopping Centre in Glasgow. MS Bank took a 50 per cent. participation (£95,000,000) in the loan and the remaining 50 per cent. of the loan was financed by Deutsche Bank. The sponsor is a joint venture between Mills Global Investments UK, L.L.C. ("**Mills**") and Ivanhoe Cambridge Inc. ("**Ivanhoe**").

[1] 50% of a loan made jointly with Deutsche Bank

Instalments Schedule	
Date	**Amount of Repayment Instalment (£)**
Jul 2005	0
Oct 2005	0
Jan 2006	0
Apr 2006	0
Jul 2006	0
Oct 2006	0
Jan 2007	0
Apr 2007	0
Jul 2007	0
Oct 2007	0
Jan 2008	0
Apr 2008	0
Jul 2008	0
Oct 2008	0
Jan 2009	0
Apr 2009	0
Jul 2009	0
Oct 2009	0
Jan 2010	0
Apr 2010	0
Jul 2010	0
Oct 2010	0
Jan 2011	0
Apr 2011	0
Jul 2011	0
Oct 2011	0
Jan 2012	0
Apr 2012	95,000,000[1]

The Property

The Property is located on Argyle Street, in the prime retailing position of Glasgow city centre. The Property is the largest covered shopping centre in Glasgow city centre and comprises approximately 764,000 sq. ft. of retailing space.

The Property is held on heritable title.

St. Enoch Shopping Centre management currently employs 96 people. This includes the manager, an additional seven principal staff, 23 security staff, eight maintenance staff, 30 cleaning staff and 28 employed in the food court. Staff are employed on a mixture of part and full time contracts, all of whom are employed by FPD Savills.

Tenancies

The Property is let to approximately 98 tenants.

Over 80 per cent. of rent is secured against "national multiples". The St. Enoch Shopping Centre is anchored by Debenhams and Bhs department stores, and contains tenants such as Boots, Gap, HMV, Top Shop, Dorothy Perkins, Burtons and other major high street retailers.

The Borrower / Sponsor

The Borrower is a Jersey unit trust acting through a Jersey trustee, St. Enoch Trustee Company Limited, established on 17th December, 2004. The shares in the trustee are owned 50/50 by Mills and Ivanhoe. The units in the Unit Trust are held by 4259050 Canada Inc. and St. Enoch L.L.C. (companies controlled by/in the

[1] 50% of total bullet repayment

same group of companies as Ivanhoe and Mills, respectively). For further information, see "The Borrowers" at page 61 and "The Second Principal Borrower" at Part B of Appendix 1 at Page 197.

Mills is part of the same group of companies as The Mills Corporation (NYSE: MLS) which is an Arlington, VA based retail real estate investment trust.

Ivanhoe is a property company owned by the Caisse de Dépôt et Placement du Québec ("CDP") and other Canadian pension funds.

Lease Expiration Summary[1]

The following table shows scheduled lease expirations for the Property financed by the St. Enoch Loan:

Lease Roll-over Schedule								
Year	**# Leases Rolling**	**SqFt Rolling**	**% of total SqFt Rolling**	**Cumulative % of SqFt Rolling**	**Annual Gross Rental Income Rolling (£)**	**Average Total Gross Rental Income per SqFt Rolling**	**% of Total Gross Rental Income Rolling**	**Cumul. % of Total Gross Rental Income Rolling**
Holding Over Tenants[2]	23	34,165	4.5%	4.5%	539,550	15.8	3.4%	3.4%
2005 (post Cut-Off Date)	2	1,552	0.2%	4.7%	82,000	52.8	0.5%	4.0%
2006	3	5,310	0.7%	5.4%	209,000	39.4	1.3%	5.3%
2007	2	4,935	0.6%	6.0%	185,365	37.6	1.2%	6.5%
2008	8	15,435	2.0%	8.0%	545,750	35.4	3.5%	10.0%
2009	4	4,088	0.5%	8.6%	244,000	59.7	1.6%	11.5%
2010	2	6,773	0.9%	9.5%	166,496	24.6	1.1%	12.6%
2012	5	10,784	1.4%	10.9%	646,850	60.0	4.1%	16.7%
2013	14	99,039	13.0%	23.8%	4,110,025	41.5	26.2%	42.9%
>2013	50	567,116	74.2%	98.0%	8,957,522	15.8	57.1%	100.0%
Vacant Space	10	15,294	2.0%	100.0%	0	0.0	0.0%	100.0%
Total/ Average	**123**	**764,491**	**100.0%**	**-**	**15,686,558**	**20.5**	**100.0%**	**-**

[1] Based exclusively on expiry dates; break dates are not taken into account.
[2] These tenants are either holding over or in the process of negotiating new leases

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the Property financed by the St. Enoch Loan:

Largest Tenants Based on Annual Rent								
Tenant	Credit Rating S&P/ Moody's/ Fitch	Tenant SqFt	% of total SqFt	Annual Gross Rental Income (£)	% of Total Annual Gross Rental Income	Current Annualised Gross Rental Income per SqFt	Lease Expiration	First Break Date
Debenhams Properties Ltd[1]	-	291,034	38.1%	1,950,000	12.4%	6.7	23/06/23	-
GPS (Great Britain) Ltd	-	23,407	3.1%	1,121,200	7.1%	47.9	29/09/13	-
HMV (UK) Ltd	-	19,184	2.5%	926,750	5.9%	48.3	29/09/13	-
Bhs Ltd	-	88,132	11.5%	825,000	5.3%	9.4	10/07/87	-
Top Shop/Top Man Properties Ltd[2]	-	21,862	2.9%	664,200	4.2%	30.4	29/09/13	-
Wallis Retail Properties Ltd[3]	-	19,815	2.6%	556,500	3.5%	28.1	19/11/16	-
Boots Chemists Ltd[4]	-	34,975	4.6%	440,000	2.8%	12.6	25/12/23	-
Virgin Retail Ltd	-	13,325	1.7%	423,750	2.7%	31.8	29/09/13	-
Etam PLC[5]	-	14,421	1.9%	400,000	2.5%	27.7	25/03/14	-
Burton/Dorothy Perkins Properties Ltd[6]	-	11,379	1.5%	377,000	2.4%	33.1	18/03/14	-
Clydesdale Bank Plc	-	11,507	1.5%	376,350	2.4%	32.7	15/01/21	-
NBC Apparel t/a TK Maxx	-	31,088	4.1%	300,000	1.9%	9.7	24/08/14	-
Evans Retail Properties Ltd	-	8,611	1.1%	285,000	1.8%	33.1	15/08/14	-
Adams Property Holdings Ltd	-	6,669	0.9%	245,000	1.6%	36.7	24/12/13	-
Dolicis Ltd	-	3,176	0.4%	241,150	1.5%	75.9	31/07/17	31/07/12
Faith Footwear Limited	-	2,767	0.4%	207,000	1.3%	74.8	22/02/19	-
Glasgow District Council	AAA/AAA/AAA	-	0.0%	198,457	1.3%	-	24/06//88	-
Clinton Cards	-	2,961	0.4%	197,610	1.3%	66.7	26/10/24	-
Stylo Barratt Properties Ltd	-	3,483	0.5%	194,000	1.2%	55.7	24/06/14	-
Blane Leisure Ltd t/a JJB	-	2,806	0.4%	191,225	1.2%	68.1	18/10/13	-
Top 10 Tenants Total (Gross)/ Average	**-**	**610,602**	**79.9%**	**10,120,192**	**64.5%**	**16.6**	**-**	**-**
Other Tenants	-	138,595	18.1%	5,521,366	35.2%	39.8	-	-
Parking and Other Income	-	-	0.0%	45,000	0.3%	-	-	-
Vacant Space	-	15,294	2.0%	-	0.0%	-	-	-
Portfolio Total (Gross)/ Average	**-**	**764,491**	**100.0%**	**15,686,558**	**100%**	**20.5**	**-**	**-**
Irrecoverables/ Headlease Rent	-	-	-	-727,586	n/a	-	-	-
Portfolio Total (Net)/ Average	**-**	**764,491**	**100.0%**	**14,958,972**	**n/a**	**19.6**	**-**	**-**

[1] Rating of parent company, Arcadia Group Plc, A/WR/WR
[2] Rating of parent company, Arcadia Group Plc, A/WR/WR
[3] Rating of parent company, Arcadia Group Plc, A/WR/WR
[4] Rating of parent company, Boots Group Plc, BB+/ Baa1/A-
[5] Rating of parent company, Arcadia Group Plc
[6] Rating of parent company, Arcadia Group Plc, A/WR/WR

The Admiral Portfolio Loan

Loan Information	
Borrower Name	Kerry Associates Ltd
Sponsor	Private Individual
Origination Date	18/01/05
Maturity Date	22/01/10
Cut-Off Date Balance	£39,000,000
Next Payment Date	22/07/05
Cut-Off Date LTV	63.7%
Exit LTV	63.7%
Type of Amortisation	Bullet
Interest Rate Type	Fixed Rate
All-In Rate	6.292%
Interest Rate Calculation	Actual/ 365
Cut-Off Date ICR	196.2%
Cut-Off Date DSCR	196.2%
Dividend Trap	125%
Interest Cover Covenant	110%
Pledged Rent Account	Yes
Escrow Account	No
A/B Loan Structure	Yes
B Piece Balance at Cut-Off Date	£8,770,000

Property Information	
Single Asset / Portfolio	Portfolio
City	East Anglia, East & West Midlands, Greater London
Location	UK
Year Built	Various
Number of Properties	11
Type of Property	Office / Retail
The Collateral	The Admiral Portfolio
Market Valuation	£61,270,000
Net Rental Income	£4,815,646
Net Initial Yield	7.35%
Tenure	Mixed
Valuer	DTZ
Date of Valuation	17/1/05
Square Footage	354,705
Occupancy by Area	96.4%

Major Tenant	**% SqFt**	**Gross Rent(£)**	**Gross % Rent**
Secretary of State for the Environment, Food & Rural Affairs	14.3%	656,416	13.2
Wickes Building Supplies Ltd	7.9%	270,728	5.4
Prudential Unit Trust	4.9%	246,883	5.0

The Loan

The purpose of the Admiral Portfolio Loan was to refinance a portfolio of 11 properties spread throughout the United Kingdom. The purchase of these properties was originally financed by a combination of banking facilities, including loans made by MS Bank and securitised in previous securitisation transactions. A number of Properties have been sold or substituted over this period of time.

Instalments Schedule	
Date	**Amount of Repayment Instalment (£)**
Jul 2005	0
Oct 2005	0
Jan 2006	0
Apr 2006	0
Jul 2006	0
Oct 2006	0
Jan 2007	0
Apr 2007	0
Jul 2007	0
Oct 2007	0
Jan 2008	0
Apr 2008	0
Jul 2008	0
Oct 2008	0
Jan 2009	0
Apr 2009	0
Jul 2009	0
Oct 2009	0
Jan 2010	39,000,000

The Properties

The portfolio includes nine office buildings and two retail warehouses and has a total net lettable area of approximately 354,700 sq. ft. approximately 26 per cent. (by value) of the properties are located in Central Birmingham and approximately 18 per cent. are located in Central London. The remaining properties are situated in Bedford, Cheltenham, Bromley, Ilford, Romford and Wolverhampton. Offices make up approximately 84 per cent. of the portfolio while retail warehouses account for 16 per cent. No single property accounts for more than approximately 17 per cent. of the portfolio.

Tenancies

The portfolio is let to 52 tenants and produces annual net rent of approximately £4,816,000. The largest tenant is the Secretary of State for the Environment, Food & Rural Affairs, which accounts for approximately 13.2 per cent. of total gross passing rent. The next largest tenant is Wickes Building Supplies Limited (approximately 5.4 per cent.) followed by Prudential Unit Trust (approximately 5.0 per cent.). Outside of these largest three tenants, only BHS Ltd accounts for more than approximately 4.6 per cent. of gross passing rent. Vacancy across the portfolio currently stands at approximately 3.2 per cent., there being no significant vacancies in any one property.

The Borrower / Sponsor

The Borrower is a limited liability company incorporated in the British Virgin Islands on 4th November 2004 and owned by Westville Group Limited. Day to day and strategic management is carried out by Boultbee Land, a UK property portfolio company.

Lease Expiration Summary[1]

The following table shows scheduled lease expirations for the Properties financed by the Admiral Portfolio Loan:

Lease Roll-over Schedule								
Year	**# Leases Rolling**	**SqFt Rolling**	**% of total SqFt Rolling**	**Cumulative % of SqFt Rolling**	**Annual Gross Rental Income Rolling (£)**	**Average Total Gross Rental Income per SqFt Rolling**	**% of Total Gross Rental Income Rolling**	**Cumul. % of Total Gross Rental Income Rolling**
Holding Over Tenants[2]	2	2,200	0.6%	0.6%	28,711	13.1	0.6%	0.6%
2005 (post Cut-Off Date)	0	-	0.0%	0.6%	-	-	0.0%	0.6%
2006	15	47,340	13.3%	14.0%	1,078,460	22.8	21.7%	22.2%
2007	15	57,785	16.3%	30.3%	769,841	13.3	15.5%	37.7%
2008	2	9,379	2.6%	32.9%	113,785	12.1	2.3%	40.0%
2009	13	54,168	15.3%	48.2%	775,010	14.3	15.6%	55.6%
2010	1	5,469	1.5%	49.7%	86,000	15.7	1.7%	57.3%
2011	7	24,959	7.0%	56.8%	589,493	23.6	11.8%	69.1%
2012	5	43,981	12.4%	69.2%	551,150	12.5	11.1%	80.2%
2013	5	11,379	3.2%	72.4%	129,650	11.4	2.6%	82.8%
>2013	10	86,685	24.4%	96.8%	854,753	9.9	17.2%	100.0%
Vacant Space	5	11,360	3.2%	100.0%	-	0.0	0.0%	100.0%
Total/Average	80	354,705	100.0%	-	4,976,853	14.0	100.0%	-

[1] Based exclusively on expiry dates; break dates are not taken into account.
[2] These tenants are either holding over or in the process of negotiating new leases

Major Tenant Summary

The following table show certain information regarding certain major tenants of the Properties financed by the Admiral Portfolio Loan:

Largest Tenants Based on Annual Rent									
Tenant	Credit Rating S&P/ Moody's/ Fitch	Property	Tenant SqFt	% of total SqFt	Annual Gross Rental Income (£)	% of Total Annual Gross Rental Income	Current Annualized Gross Rental Income per SqFt	Lease Expiration	First Break Date
Secretary of State for the Environment, Food & Rural Affairs	AAA/ Aaa/ AAA	Portman House, Borad Street, Northside Hse	50,872	14.3%	656,416	13.2%	12.9	Various 2011/2012	-
Wickes Building Supplies Limited	-	Mitre Retail Park	28,115	7.9%	270,728	5.4%	9.6	23/06/17	-
Prudential Unit Trust	-	Valentines House	17,270	4.9%	246,883	5.0%	14.3	30/10/09	-
Birmingham and Solihull Connexions Services	AAA/ AAA/ AAA	100 Broad Street	17,645	5.0%	230,000	4.6%	13.0	31/03/07	-
The Association of Corporate Treasurers	-	Ocean House	6,660	1.9%	215,050	4.3%	32.3	Various 2006	-
City Equities Limited	-	Ocean House	6,271	1.8%	186,333	3.7%	29.7	08/11/09	25/12/06
A Smith and Sons Limited	-	SCS Unit	24,987	7.0%	175,000	3.5%	7.0	06/07/14	-
Action for Employment Ltd	-	Berwick House	10,045	2.8%	168,960	3.4%	16.8	12/10/08	13/04/06
Social Work Solutions Limited	-	Valentines House	10,938	3.1%	165,141	3.3%	15.1	30/10/09	-
CMG UK Limited	-	Northside House	9,130	2.6%	165,000	3.3%	18.1	25/03/06	-
Fortis Clearing London Limited (Guaranteed by SNC Securities Ltd)	-	37 Lombard Street	5,105	1.4%	158,250	3.2%	31.0	24/03/11	-
Carpetright plc	-	Mitre Retail Park	12,135	3.4%	127,407	2.6%	10.5	23/06/17	-
Accountancy Tuition Centre (Midlands) Ltd (pt underlet to BNB Resources Ltd & Chart Foulks Lynch Ltd)	-	Berwick House	9,215	2.6%	125,000	2.5%	13.6	24/12/09	-
Yangming UK Limited (Yangming Marine Transport (Taiwan))	-	Valentines House	8,950	2.5%	115,000	2.3%	12.8	31/05/07	-
Market News Services (guarantee from Market News intl.)	-	Ocean House	3,590	1.0%	105,905	2.1%	29.5	25/12/06	-
Churchill Management Limited (assigned from HSBC)	NR/ AA+/ Aa1	Northside House	6,628	1.9%	104,000	2.1%	15.7	28/09/12	-
KBC Peel Hunt Ltd (sublet to Trilogy Financial Products Limited)	-	37 Lombard Street	2,346	0.7%	103,182	2.1%	44.0	24/03/11	-
Halifax PLC	NR/ AA+/ Aa2	Berwick House	7,141	2.0%	100,000	2.0%	14.0	21/01/12	22/01/07
Moneyguru Limited (g'tee by Newland Resources NL - Australia)	-	Ocean House	3,599	1.0%	99,000	2.0%	27.5	25/12/06	-

Largest Tenants Based on Annual Rent									
Tenant	Credit Rating S&P/ Moody's/ Fitch	Property	Tenant SqFt	% of total SqFt	Annual Gross Rental Income (£)	% of Total Annual Gross Rental Income	Current Annualized Gross Rental Income per SqFt	Lease Expiration	First Break Date
Craigforth Services (Guar'tee The Prudential Assurance Company Ltd	AA-/ NR/ NR	Berwick House	5,900	1.7%	90,086	1.8%	15.3	24/03/09	-
Marks and Spencer	NR/ BBB+/ NR	Northside House	5,196	1.5%	82,700	1.7%	15.9	18/02/22	-
Consignia Plc (sublet to secretary of state)	-	Northside House	5,165	1.5%	82,000	1.6%	15.9	24/06/07	-
Higgs International Limited	-	Valentines House	5,469	1.5%	80,000	1.6%	14.6	09/12/09	-
Capita Business Services Ltd	-	Pate Court	6,702	1.9%	73,789	1.5%	11.0	22/04/07	-
Banque AIG (sublet to Freelance Professional Services Limited)	-	37 Lombard Street	1,541	0.4%	68,506	1.4%	44.5	1 lease holding over, 1 lease expiring 2011	-
Anglo Baltic ltd	-	Mitre Retail Park	6,245	1.8%	67,500	1.4%	10.8	23/06/17	-
Stoy Hayward Properties	-	Northside House	3,910	1.1%	64,600	1.3%	16.5	24/12/08	-
Axa Sun Life Services (Guarantee Axa Equity and Law Life assurance Society Plc)	-	Berwick House	4,233	1.2%	51,850	1.0%	12.2	12/12/11	24/12/06
Advertising Marketing Research	-	Bentinck Mews	2,661	0.8%	50,000	1.0%	18.8	03/01/09	24/01/07
U/O Metropolitan Police Authority	AAA/ AAA/ AAA	Valentines House	3,474	1.0%	49,500	1.0%	14.2	01/02/15	01/02/09
BRIT Group Services (on assignment from the Pru)	-	Valentines House	5,469	1.5%	49,185	1.0%	9.0	23/09/08	-
Pearson Driving Assessments	-	Valentines House	3,505	1.0%	49,070	1.0%	14.0	30/09/14	-
Top 32 Tenants Total (Gross)/ Average	**-**	**-**	**300,112**	**84.6%**	**4,376,041**	**87.9%**	14.6	-	-
Other Tenants	-	-	43,233	12.2%	600,812	12.1%	13.9	-	-
Parking and Other Income	-	-	-	0.0%	-	0.0%	-	-	-
Vacant Space	-	-	11,360	3.2%	-	0.0%	0.0	-	-
Portfolio Total (Gross)/ Average	**-**	**-**	**354,705**	**100.0%**	**4,976,853**	**100.0%**	14.0	-	-
Irrecoverables/ Headlease Rent	-	-	-	-	-161,207	n/a	-	-	-
Portfolio Total (Net)/ Average	**-**	**-**	**354,705**	**100.0%**	**4,815,646**	**n/a**	13.6	-	-

Halton Lea Shopping Centre Loan

Loan Information	
Borrower Name	Arkminster Ltd
Sponsor	The Fordgate Group
Origination Date	20/10/04
Maturity Date	22/10/10
Cut-Off Date Balance[1]	£35,410,000
Next Payment Date	22/07/05
Cut-Off Date LTV[2]	62.0%
Exit LTV	62.0%
Type of Amortisation	Bullet
Interest Rate Type	Fixed Rate
All-In Rate	6.078%
Interest Rate Calculation	Actual/ 365
Cut-Off Date ICR	146.6%
Cut-Off Date DSCR	146.6%
Dividend Trap	110%
Interest Cover Covenant	105%
Pledged Rent Account	Yes
Escrow Account	Yes
A/B Loan Structure	Yes
B Piece Balance at Cut-Off Date	£9,266,659

Property Information	
Single Asset / Portfolio	Single Asset
City	Runcorn
Location	North West
Year Built	c. 1970s
Number of Properties	1
Type of Property	Retail
The Collateral	Halton Lea Shopping Centre
Market Valuation	£55,000,000
Net Rental Income	£3,154,413
Net Initial Yield	5.24%
Tenure	Freehold
Valuer	DTZ
Date of Valuation	20/10/04
Square Footage	366,334
Occupancy by Area[3]	97.0%

Major Tenant	**% SqFt**	**Gross Rent(£)**	**Gross % Rent**
Tesco Stores Ltd	19.7%	220,000	6.4%
B&Q Properties Ltd[4]	6.1%	115,000	3.4%
Etam PLC	2.2%	100,000	2.9%

The Loan

The purpose of the Halton Lea Shopping Centre Loan was to refinance an existing MS Bank loan secured on the Halton Lea Shopping Centre which had reached maturity. The original loan was drawn in November 2000 and was securitised in a previous securitisation transaction.

1 Loan Balance includes £1,310,000 cash held in escrow. See 'Tenancies' section for more detail
2 For this LTV calculation, £1,310,000 cash held in escrow is not included in the Loan Balance
3 Excludes units kept vacant for the Wilkinson Lease
4 Underlet to Woolworths Plc

Instalments Schedule	
Date	**Amount of Repayment Instalment (£)**
Jul 2005	0
Oct 2005	0
Jan 2006	0
Apr 2006	0
Jul 2006	0
Oct 2006	0
Jan 2007	0
Apr 2007	0
Jul 2007	0
Oct 2007	0
Jan 2008	0
Apr 2008	0
Jul 2008	0
Oct 2008	0
Jan 2009	0
Apr 2009	0
Jul 2009	0
Oct 2009	0
Jan 2010	0
Apr 2010	0
Jul 2010	0
Oct 2010	35,410,000

The Property

The Property comprises a substantial shopping centre, originally constructed in the 1970s, but extensively refurbished over the last five years. It was developed by the Commission for New Towns as the town centre for Runcorn as part of the New Town 1960s Urban Initiative. This initiative provided housing and infrastructure for families relocated from the inner suburbs of Liverpool.

The Property has a total net area of approximately 366,000 sq. ft. and is arranged in an "H" shape. It is linked to four multi-story car parks at each corner of the shopping centre, which provide a total of 2,200 free car parking spaces (three of the four car parks are included in the Related Security for this Loan).

Runcorn is located in north-west England, 13 miles south of Liverpool, 18 miles north of Chester and nine miles west of Warrington. The town is well served by the national motorway network. The M56 crosses the town with access from Junctions 11 and 12, which link directly the north and south and Manchester.

The Property is held freehold.

Tenancies

The Property is let to approximately 64 tenants, over 60 per cent. of which are "national multiples". These include B&Q Properties Ltd (sublet to Woolworths Plc), Etam, Iceland, New Look, Clintons Cards, WH Smith, Superdrug, Boots, Tesco, The Post Office and a number of High Street banks.

The Borrower has signed an agreement for lease with Wilkinson Hardware Stores ("**Wilkinson**"). The lease will be a 20 year lease on a new anchor unit comprising 27,500 sq. ft. at mall level plus 10,000 sq. ft. at basement level. It will not contain a break option and the first 12 months will be rent free. The agreement for lease is conditional on the Borrower delivering a shell and core unit to Wilkinson in accordance with an agreed specification. The Borrower has the ability to draw down additional monies if the lease is completed by April 2006. This amount equates to £3,000,000 (£1,310,000 of which is included in the senior A facility secured in this transaction) and will be drawn and held in escrow until the Wilkinson lease becomes unconditional. If that does not occur by April 2006, the Borrower cannot draw on these monies and they will be used to prepay the Loan. The interest cover covenant drops to 100 per cent. during the Wilkinson rent free period, then reverts to 105 per cent. when such rent free period expires. Once the Wilkinson lease is in place, the market value by DTZ rises from £55,000,000 to £57,500,000.

Total Irrecoverables at the property are currently £580,000 per annum, which comprises business rates insurance and service charge items. £275,000 will remain an Irrecoverable on an ongoing basis. Cash reserves are in escrow to cover the remaining amount until such time as the Borrower is no longer liable.

The Borrower / Sponsor

The Borrower is a limited company incorporated in England & Wales on 27th September, 2004 and controlled by private individuals who are principals of Fordgate Limited. Fordgate Limited are responsible for the management of the Property.

Lease Expiration Summary

The following table shows scheduled lease expirations for the Property financed by the Halton Lea Shopping Centre Loan:

Lease Roll-over Schedule[1]

Year	# Leases Rolling	SqFt Rolling	% of total SqFt Rolling	Cumulative % of SqFt Rolling	Annual Gross Rental Income Rolling (£)	Average Total Gross Rental Income per SqFt Rolling	% of Total Gross Rental Income Rolling	Cumul. % of Total Gross Rental Income Rolling
Holding Over Tenants[2]	4	8,255	2.3%	2.3%	97,850	11.9	2.9%	2.9%
2005 (post Cut-Off Date)	1	1,291	0.4%	2.6%	16,000	12.4	0.5%	3.3%
2006	11	51,253	14.0%	16.6%	486,100	9.5	14.2%	17.5%
2007	5	12,165	3.3%	19.9%	174,000	14.3	5.1%	22.6%
2008	4	14,457	3.9%	23.9%	157,000	10.9	4.6%	27.1%
2009	8	13,859	3.8%	27.6%	219,393	15.8	6.4%	33.5%
2010	6	11,807	3.2%	30.9%	186,750	15.8	5.4%	39.0%
2011	4	19,317	5.3%	36.1%	169,500	8.8	4.9%	43.9%
2012	4	15,279	4.2%	40.3%	240,000	15.7	7.0%	50.9%
2013	10	23,586	6.4%	46.8%	381,550	16.2	11.1%	62.1%
>2013	23	172,184	47.0%	93.8%	1,301,270	7.6	37.9%	100.0%
Vacant Space	10	22,881	6.2%	100.0%	0	0.0	0.0%	100.0%
Total/Average	90	366,334	100.0%	-	3,429,413	9.4	100.0%	-

[1] Based exclusively on expiry dates, break dates are not taken into account
[2] These tenants are either holding over or in the process of negotiating new leases

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the Property financed by the Halton Lea Shopping Centre Loan:

Largest Tenants Based on Annual Rent								
Tenant	Credit Rating S&P/ Moody's/ Fitch	Tenant SqFt	% of total SqFt	Annual Gross Rental Income (£)	% of Total Annual Gross Rental Income	Current Annualised Gross Rental Income per SqFt	Lease Expiration	First Break Date
Tesco Stores Ltd[1]		72,335	19.7%	220,000	6.4%	3.0	25/10/70	-
B&Q Properties Ltd PLC[2]		22,448	6.1%	115,000	3.4%	5.1	25/10/70	-
Etam PLC	-	7,962	2.2%	100,000	2.9%	12.6	24/12/14	-
Sayers Confectioners Ltd	-	6,100	1.7%	88,500	2.6%	14.5	24/03/06	-
JD Sports	-	9,800	2.7%	80,000	2.3%	8.2	11/08/17	-
WH Smith PLC	-	6,370	1.7%	75,500	2.2%	11.9	13/11/12	-
T J Morris Ltd	-	9,687	2.6%	75,000	2.2%	7.7	28/09/15	-
ISE Group - Poundland	-	7,187	2.0%	75,000	2.2%	10.4	15/03/17	-
Thorpalm Ltd - Paperchain	-	3,834	1.0%	74,250	2.2%	19.4	24/03/17	-
Boots Chemists Ltd[3]		5,310	1.4%	72,000	2.1%	13.6	28/09/10	-
Superdrug PLC	-	1,900	0.5%	71,500	2.1%	37.6	25/03/09	-
Clinton Cards	-	3,541	1.0%	71,000	2.1%	20.1	15/12/12	-
Peacock's Stores Ltd	-	12,294	3.4%	70,000	2.0%	5.7	24/12/11	-
Grattan PLC	-	13,638	3.7%	70,000	2.0%	5.1	13/11/13	14/5/06
New Look Retailers Ltd	-	4,823	1.3%	68,500	2.0%	14.2	23/06/12	-
Iceland Foods PLC	-	9,673	2.6%	65,000	1.9%	6.7	28/09/06	-
Poundstretcher Limited	-	3,328	0.9%	64,000	1.9%	19.2	23/06/14	-
Post Office Counters Ltd	-	3,396	0.9%	62,000	1.8%	18.3	03/11/13	-
Ethel Austin (Retail) Ltd	-	4,951	1.4%	60,000	1.7%	12.1	20/10/06	-
Caversham Finance Ltd	-	3,328	0.9%	56,000	1.6%	16.8	23/06/05	-
Top 10 Tenants Total (Gross)/ Average	-	**211,905**	**57.8%**	**1,633,250**	**47.6%**	**7.7**	-	-
Other Tenants	-	131,548	35.9%	1,652,893	48.2%	12.6	-	-
Parking and Other Income	-	-	0.0%	143,270	4.2%	-	-	-
Vacant Space	-	22,881	6.2%	-	0.0%	0.0%	-	-
Portfolio Total (Gross)/ Average	-	**366,334**	**100.0 %**	**3,429,413**	**100.0%**	**9.4**	**-**	**-**
Irrecoverables/ Headlease Rent	-	-	-	-275,000	n/a	-	-	-
Portfolio Total (Net)/ Average	-	**366,334**	**100.0 %**	**3,154,413**	**n/a**	**8.6**	-	-

[1] Rating of parent company, Tesco Plc, A+/A1/A+
[2] Underlet to Woolworths Plc. Rating of parent company, Kingfisher Plc, BBB+/Baa1/BBB+
[3] Rating of the parent company, Boots Plc, BBB+/ Baa1/ A-

Grays Shopping Centre Loan

Loan Information	
Borrower Name	Cream (GP No. 2) Ltd
Sponsor	Halladale Group Plc & Citigroup Property Investors JV
Origination Date	25/02/05
Maturity Date	22/04/10
Cut-Off Date Balance	£20,730,000
Next Payment Date	22/07/05
Cut-Off Date LTV	63.6%
Exit LTV	63.6%
Type of Amortisation	Bullet
Interest Rate Type	Fixed Rate
All-In Rate	5.861%
Interest Rate Calculation	Actual/ 365
Cut-Off Date ICR	180.1%
Cut-Off Date DSCR	180.1%
Dividend Trap	125%
Interest Cover Covenant	110%
Pledged Rent Account	Yes
Escrow Account	No
A/B Loan Structure	Yes
B Piece Balance at Cut-Off Date	£4,790,000

Property Information	
Single Asset / Portfolio	Single Asset
City	Grays
Location	Essex, South East
Year Built	Early 1970s
Number of Properties	1
Type of Property	Retail/ Office
The Collateral	Grays Shopping Centre
Market Valuation	£32,600,000
Net Rental Income[1]	£2,188,036
Net Initial Yield	6.50%
Tenure	Freehold
Valuer	DTZ
Date of Valuation	18/02/05
Square Footage	228,132
Occupancy by Area	99.4%

Major Tenant	**% SqFt**	**Gross Rent(£)**	**Gross % Rent**
Secretary of State for the Environment, Food & Rural Affairs	14.9%	347,500	14.7%
QD Stores Ltd	11.3%	135,000	5.7%
Wilkinson Hardware Stores Ltd	11.2%	132,250	5.6%

The Loan

The purpose of the Grays Shopping Centre Loan was to finance the acquisition of the Grays Shopping Centre in Essex.

[1] Net Rent rises to £2,189,036 in February 2006, £2,190,036 in February 2007 and £2,190,786 in March 2007 due to fixed uplifts

Instalments Schedule	
Date	**Amount of Repayment Instalment (£)**
Jul 2005	0
Oct 2005	0
Jan 2006	0
Apr 2006	0
Jul 2006	0
Oct 2006	0
Jan 2007	0
Apr 2007	0
Jul 2007	0
Oct 2007	0
Jan 2008	0
Apr 2008	0
Jul 2008	0
Oct 2008	0
Jan 2009	0
Apr 2009	0
Jul 2009	0
Oct 2009	0
Jan 2010	0
Apr 2010	20,730,000

The Property

Grays Shopping Centre comprises a freehold shopping centre constructed in the early 1970s, on a site of approximately five acres in Grays, Essex, within the borough of Thurrock. Planning permission was granted in August 1971 for the erection of the shopping centre which was substantially refurbished in 1992, fully enclosing the malls and improving the internal aesthetics.

The Property provides single level retailing, with principal shoppers' entrances from the pedestrianised sections of The High Street and Clarence Road, in addition to the car park pedestrian entrance next to Somerfield. Further pedestrian access is provided to the South Mall from Maidstone Road. The accommodation provides c. 228,000 sq. ft. of lettable space. This floor area includes an office component entirely let to the Secretary of State. The Property includes the town's main car park, which is accessed via a ramp from Maidstone Road to the south of the Property and which provides the town with approximately 800 car parking spaces.

The Property is held freehold.

Tenancies

The Property is let to approximately 54 tenants on 58 leases. Approximately 34,000 sq. ft. of the Property is let to the Secretary of State for the Environment, on a lease expiring in 2016.

Retail tenants include Wilkinson, WH Smith, Iceland Foods, H Samuel and Holland & Barrett Ltd.

The Property is 99.4 per cent. occupied.

The MS Loan Originator has received a request from the Borrower with respect to consenting to a lease surrender by Somerfield on terms that a new tenant, Whistlestop Discount Stores Limited simultaneously enters into a replacement lease. Under the current proposal, Somerfield would guarantee the Whistlestop lease for a term of two years. Whistlestop Discount Stores Limited would enter into a lease term of 15 years at a rent of £110,000 per annum amongst other terms and conditions. The MS Loan Originator has consented in respect of this request.

The Borrower / Sponsor

The Borrower is a limited partnership established on 14th February, 2005, controlled by a joint venture between the Halladale Group Plc and Citigroup Property Investors.

Halladale is a small UK property company listed on AIM.

Citigroup Property Investors is the real estate investment management unit of Citigroup Alternative Investments.

Lease Expiration Summary

The following table shows scheduled lease expirations for the Property financed by the Grays Shopping Centre Loan:

Lease Roll-over Schedule[1]

Year	# Leases Rolling	SqFt Rolling	% of total SqFt Rolling	Cumulative % of SqFt Rolling	Annual Gross Rental Income Rolling (£)	Average Total Gross Rental Income per SqFt Rolling	% of Total Gross Rental Income Rolling	Cumul. % of Total Gross Rental Income Rolling
Holding Over Tenants[2]	3	2,665	1.2%	1.2%	36,900	13.8	1.6%	1.6%
2005 (post Cut-Off Date)	3	6,090	2.7%	3.8%	69,890	11.5	3.0%	4.5%
2006	11	17,045	7.5%	11.3%	215,920	12.7	9.1%	13.7%
2007	1	390	0.2%	11.5%	18,000	46.2	0.8%	14.4%
2008	5	11,235	4.9%	16.4%	143,100	12.7	6.1%	20.5%
2009	9	24,250	10.6%	27.0%	249,250	10.3	10.5%	31.0%
2010	2	4,030	1.8%	28.8%	35,000	8.7	1.5%	32.5%
2011	10	70,055	30.7%	59.5%	547,360	7.8	23.2%	55.7%
2013	2	2,779	1.2%	60.7%	45,000	16.2	1.9%	57.6%
>2013	15	88,123	38.6%	99.4%	1,002,616	11.4	42.4%	100.0%
Vacant Space	3	1,470	0.6%	100.0%	-	0.0	0.0%	100.0%
Total/ Average	**64**	**228,132**	**100.0%**	**-**	**2,363,036**	**10.4**	**100.0%**	**-**

[1] Based exclusively on expiry dates, break dates are not taken into account
[2] These tenants are either holding over or in the process of negotiating new leases

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the Property financed by the Grays Shopping Centre Loan:

Largest Tenants Based on Annual Rent								
Tenant	Credit Rating S&P/ Moody's/ Fitch	Tenant SqFt	% of total SqFt	Annual Gross Rental Income (£)	% of Total Annual Gross Rental Income	Current Annualized Gross Rental Income per SqFt	Lease Expiration	First Break Date
Secretary of State for the Environment, Food & Rural Affairs	AAA/ Aaa/ AAA	33,895	14.9%	347,500	14.7%	10.3	24/12/16	-
QD Stores Ltd	-	25,840	11.3%	135,000	5.7%	5.2	23/06/16	-
Wilkinson Hardware Stores Ltd	-	25,530	11.2%	132,250	5.6%	5.2	15/12/11	-
WH Smith PLC	n/a/ n/a/ BB-	9,030	4.0%	91,600	3.9%	10.1	01/12/11	-
Somerfield Property Company Ltd	-	14,980	6.6%	90,000	3.8%	6.0	24/03/09	-
Individual	-	4,475	2.0%	72,000	3.0%	16.1	Various 2006	-
Iceland Foods PLC	-	9,535	4.2%	63,760	2.7%	6.7	31/08/11	-
Northworld Ltd T/A Mark One	-	3,865	1.7%	59,000	2.5%	15.3	24/12/11	-
QS Ltd	-	2,690	1.2%	57,500	2.4%	21.4	19/07/08	-
Peacock's Stores Ltd	-	6,800	3.0%	50,000	2.1%	7.4	28/09/11	-
Various	-	-	0.0%	47,200	2.0%	-	01/01/15	-
New Look Retailers Ltd	-	7,880	3.5%	46,000	1.9%	5.8	23/06/11	-
Stylo Barratt Properties Ltd	-	3,880	1.7%	45,500	1.9%	11.7	28/09/10	29/09/05
Poundstore Retail Ltd	-	3,680	1.6%	45,000	1.9%	12.2	23/06/16	-
Body Flex Ltd	-	3,160	1.4%	43,200	1.8%	13.7	19/08/06	-
Farm Foods Ltd	-	3,060	1.3%	43,000	1.8%	14.1	23/06/22	06/09/15
LR Horizon Ltd (Sub-Let to Woolworths)	-	7,530	3.3%	41,316	1.7%	5.5	24/06/36	-
Birthdays Ltd	-	4,232	1.9%	38,500	1.6%	9.1	02/08/14	-
Savers Health & Beauty PLC	-	2,160	0.9%	35,000	1.5%	16.2	23/06/15	-
Shoe Zone Ltd	-	2,500	1.1%	33,000	1.4%	13.2	30/08/14	-
Top 20 Total (Gross)/ Average	**-**	**174,722**	**76.6%**	**1,516,326**	**64.2%**	**8.7**	**-**	**-**
Other Tenants	-	51,940	22.8%	621,910	26.3%	12.0	-	-
Parking and Other Income	-	-	0.0%	224,800	9.5%	-	-	-
Vacant Space	-	1,470	0.6%	-	0.0%	-	-	-
Portfolio Total (Gross)/ Average	**-**	**228,132**	**100.0%**	**2,363,036**	**100.0%**	**10.4**	**-**	**-**
Irrecoverables/ Headlease Rent	-	-	-	-175,000	n/a	-	-	-
Portfolio Total (Net)/ Average	**-**	**228,132**	**100.0%**	**2,188,036**	**n/a**	**9.6**	**-**	**-**

Normandy House Loan

Loan Information	
Borrower Name	Normandy Assets Ltd
Sponsor	Jaymar Estates Limited
Origination Date	02/06/05
Maturity Date	22/04/10
Cut-Off Date Balance	£7,350,000
Next Payment Date	22/07/05
Cut-Off Date LTV	62.8%
Exit LTV	62.8%
Type of Amortisation	Bullet
Interest Rate Type	Fixed Rate
All-In Rate	5.395%
Interest Rate Calculation	Actual/ 365
Cut-Off Date ICR	210.4%
Cut-Off Date DSCR	210.4%
Dividend Trap	125%
Interest Cover Covenant	110%
Pledged Rent Account	Yes
Escrow Account	No
A/B Loan Structure	Yes
B Piece Balance at Cut-Off Date	£2,000,000

Property Information	
Single Asset / Portfolio	Single Asset
City	Basingstoke
Location	South
Year Built	1984
Number of Properties	1
Type of Property	Office
The Collateral	Normandy House
Market Valuation	£11,700,000
Net Rental Income	£834,315
Net Initial Yield	6.74%
Tenure	Long Leasehold
Valuer	Lambert Smith Hampton
Date of Valuation	23/05/05
Square Footage	75,130
Occupancy by Area	100%

Major Tenant	**% SqFt**	**Gross Rent(£)** [1]	**Gross % Rent**
IBM (United Kingdom) Ltd	100%	987,335	100%

The Loan

The purpose of this Loan was to provide financing for the acquisition of Normandy House in Basingstoke.

[1] Gross head rent is calculated as 15.5% of rent actually received. Net rent is £6,834,315

Instalments Schedule	
Date	**Amount of Repayment Instalment (£)**
Jul 2005	0
Oct 2005	0
Jan 2006	0
Apr 2006	0
Jul 2006	0
Oct 2006	0
Jan 2007	0
Apr 2007	0
Jul 2007	0
Oct 2007	0
Jan 2008	0
Apr 2008	0
Jul 2008	0
Oct 2008	0
Jan 2009	0
Apr 2009	0
Jul 2009	0
Oct 2009	0
Jan 2010	0
Apr 2010	7,350,000

The Property

The Property comprises a nine-storey, 75,130 sq ft office building, built in 1984 and situated within the town centre of Basingstoke. It is a modern office complex which includes a multi-level car park providing 327 parking spaces.

Basingstoke is a medium-sized town in Hampshire (approximate population 152,000) located some 50 miles south-west of London and 16 miles south-west of Reading.

The property is held leasehold from the Borough Council of Basingstoke and Deane for a total of 150 years from 1st October, 1984. There is a geared ground rent of 15.5 per cent. of net annual rents received by the lessee.

Tenancies

The Property is entirely let to IBM (UK) Limited until December, 2014. IBM (UK) Limited is a wholly owned subsidiary of IBM Corp (rated A/A1/AA-).

The Borrower / Sponsor

The borrowers are private limited companies, established on 25th June, 2003. The Property is beneficially owned by Normandy Assets Ltd, of which the main partner is Jaymar Estates Limited. Jaymar Estates Limited is a small UK property company which was established in 1994.

Lease Expiration Summary[1]

The following table shows scheduled lease expirations for the Property financed by the Normandy House Loan:

Lease Roll-over Schedule								
Year	**# Leases Rolling**	**SqFt Rolling**	**% of total SqFt Rolling**	**Cumulative % of SqFt Rolling**	**Annual Gross Rental Income Rolling (£)**	**Average Total Gross Rental Income per SqFt Rolling**	**% of Total Gross Rental Income Rolling**	**Cumul. % of Total Gross Rental Income Rolling**
2014	1	75,130	100.0%	100.0%	987,355	13.1	100.0%	100.0%
Vacant Space	-	-	-	100.0%	-	-	-	100.0%
Total/Average	**1**	**75,130**	**100.0%**	**-**	**987,355**	**13.1**	**100.0%**	**-**

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the Property financed by the Normandy House Loan:

Largest Tenants Based on Annual Rent								
Tenant	Credit Rating S&P/ Moody's/ Fitch	Tenant SqFt	% of total SqFt	Annual Gross Rental Income (£)	% of Total Annual Gross Rental Income	Current Annualised Gross Rental Income per SqFt	Lease Expiration	First Break Date
IBM (UK) Ltd	**-**	75,130	100.0%	987,355	100.0%	13.1	24/12/14	-
Top 10 Tenants Total (Gross)/ Average	**-**	**75,130**	**100.0%**	**987,355**	**100.0%**	**13.1**	**24/12/14**	**-**
Other Tenants	-	-	0.0%	-	0.0%	-	-	-
Parking and Other Income	-	-	0.0%	-	0.0%	-	-	-
Vacant Space	-	-	0.0%	-	0.0%	-	-	-
Portfolio Total (Gross)/ Average		**75,130**	**100.0%**	**987,355**	**100.0%**	**13.1**	-	-
Irrecoverables/ Headlease Rent	-	-	-	-153,040	n/a	-	-	-
Portfolio Total (Net)/ Average	**-**	**75,130**	**100.0%**	**834,315**	**n/a**	**11.1**	**24/12/14**	**-**

[1] Based exclusively on expiry dates, break dates are not taken into account.

The Money Centre Loan

Loan Information	
Borrower Name	Eagle Corporation Ltd
Sponsor	The Fordgate Group
Origination Date	20/04/05
Maturity Date	22/04/11
Cut-Off Date Balance	£6,500,000
Next Payment Date	22/07/05
Cut-Off Date LTV	75.1%
Exit LTV	64.7%
Type of Amortisation	Amortising
Interest Rate Type	Fixed Rate
All-In Rate	6.850%
Interest Rate Calculation	Actual/ 365
Cut-Off Date ICR	157.7%
Cut-Off Date DSCR	106.4%
Dividend Trap	125%
Interest Cover Covenant	110%
Pledged Rent Account	Yes
Escrow Account[2]	Yes
A/B Loan Structure	No
B Piece Balance at Cut-Off Date	N/A

Property Information	
Single Asset / Portfolio	Single Asset
City	Plymouth
Location	South West
Year Built	1975
Number of Properties	1
Type of Property	Office/ Retail
The Collateral	Money Centre
Market Valuation	£8,650,000
Net Rental Income[1]	£695,064
Net Initial Yield	7.13%
Tenure	Freehold
Valuer	Allsop & Co
Date of Valuation	21/4/05
Square Footage	73,552
Occupancy by Area	91.3%

Major Tenants	**% SqFt**	**Gross Rent(£)**	**Gross % Rent**
Western Mortgage Services Limited[3]	54.2%	379,914	54.7%
Eagle Star Insurance Company	17.3%	146,000	21.0%
First Assist Services Ltd	13.0%	106,500	15.3%
Trust Inns Limited[4]	4.5%	24,500	3.5%

The Loan

The purpose of this Loan was to refinance an existing loan secured against the Money Centre, Plymouth. The original loan of £5,700,000 was made in 2002 and was securitised in a previous securitisation transaction.

[1] Includes a proportion of fixed rental uplift on Western Mortgage Services Ltd. lease
[2] Escrow funded through Cash Trap in quarters 11, 12, 13 to cover potential break in Western Mortgage Services lease
[3] Rental income guaranteed by Britannia Building Society (rated A2/A+/A)
[4] Rental income guaranteed by the Cornish Brewing Company Limited

Instalments Schedule	
Date	**Amount of Repayment Instalment (£)**
Jul 2005	38,644
Oct 2005	40,545
Jan 2006	64,835
Apr 2006	68,365
Jul 2006	69,342
Oct 2006	69,360
Jan 2007	70,566
Apr 2007	74,091
Jul 2007	74,216
Oct 2007	74,372
Jan 2008	0[1]
Apr 2008	0
Jul 2008	0
Oct 2008	50,114
Jan 2009	50,806
Apr 2009	53,865
Jul 2009	62,634
Oct 2009	42,067
Jan 2010	0
Apr 2010	0
Jul 2010	0
Oct 2010	0
Jan 2011	0
Apr 2011	5,596,178

The Property

The Property comprises a 1970s office building situated in the centre of Plymouth and directly adjacent to the new retail development at Drake Circus.

The Property comprises a 73,552 sq. ft. building providing office accommodation, storage, car parking, two retail units, a bank and a public house and nightclub over lower ground, ground and seven upper floors. It also contains 75 car parking spaces on ground, lower ground and basement floors.

The Property is held freehold.

Plymouth is situated 120 miles south west of Bristol and 250 miles south west of London.

Tenancies

The Property is let to nine tenants, approximately 80 per cent. of which are investment grade tenants. The largest of these is Western Mortgage Services Plc ("**WMS**") which contributes approximately 55 per cent. of the total gross passing rent and is guaranteed by Britannia Building Society (rated A2/A+/A).

Total passing rent is £653,588 per annum, which rises to £753,588 in November 2005 following a step up in the WMS rent.

Approximately 70 per cent. of rent rolls off in 2008/2009, assuming WMS exercises its break clause in November 2009. In order to mitigate this, some £200,000 is trapped (from 3 quarters surplus cash) to be held in escrow. This is in addition to the £200,000 fee payable by Western Mortgage Services should it exercise the break clause. WMS is required to give 12 months notice of its intention to break, therefore the combination of the above would allow additional time to find a replacement tenant.

[1] Cash Trap in quarters 11, 12, 13 of the loan

Sponsor

The borrower is a limited company (incorporated in Jersey), established on 3rd October, 1996 by certain individuals who are principals of Fordgate Limited.

Lease Expiration Summary[1]

The following table shows scheduled lease expirations for the Property financed by The Money Centre Loan:

Lease Roll-over Schedule								
Year	**# Leases Rolling**	**SqFt Rolling**	**% of total SqFt Rolling**	**Cumulative % of SqFt Rolling**	**Annual Gross Rental Income Rolling (£)**	**Average Total Gross Rental Income per SqFt Rolling**	**% of Total Gross Rental Income Rolling**	**Cumul. % of Total Gross Rental Income Rolling**
2008	2	9,821	13.4%	13.4%	110,100	11.2	15.8%	15.8%
2009	1	39,875	54.2%	67.6%	379,914	9.5	54.7%	70.5%
2010	1	517	0.7%	68.3%	5,250	10.2	0.8%	71.3%
2011	2	12,714	17.3%	85.6%	146,000	11.5	21.0%	92.3%
>2013	4	4,199	5.7%	91.3%	53,800	12.8	7.7%	100.0%
Vacant Space	2	6,426	8.7%	100.0%	-	0.0	0.0%	100.0%
Total/ Average	**12**	**73,552**	**100.0%**	-	**695,064**	9.5	**100.0%**	**-**

[1] Based exclusively on expiry dates, break dates are not taken into account.

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the Property financed by the Money Centre Loan:

Largest Tenants Based on Annual Rent								
Tenant	Credit Rating S&P/ Moody's/ Fitch	Tenant SqFt	% of total SqFt	Annual Gross Rental Income (£)	% of Total Annual Gross Rental Income	Current Annualised Gross Rental Income per SqFt	Lease Expiration	First Break Date
Western Mortgage Services Limited	A/ A2/ A+[1]	39,875	54.2%	379,914	54.7%	54.7%	21/11/14	22/11/09
Eagle Star Insurance Company	-	12,714	17.3%	146,000	21.0%	75.7%	31/07/11	-
First Assist Services Ltd	-	9,595	13.0%	106,500	15.3%	91.0%	22/02/08	-
Trust Inns Limited	-	3,289	4.5%	24,500	3.5%	94.5%	31/07/34	-
Barclays Bank Plc	AA/ Aa1/ AA+	910	1.2%	11,000	1.6%	96.1%	29/01/15	-
Orange Personal Communication Services Ltd	A-/ Baa1/ A-[2]	-	0.0%	9,500	1.4%	97.5%	24/11/19	-
Hutchinson 3G	-	-	0.0%	8,800	1.3%	98.7%	31/12/16	-
Individual	-	517	0.7%	5,250	0.8%	99.5%	21/12/14	24/12/10
Individual	-	226	0.3%	3,600	0.5%	100.0%	13/10/08	-
Top 10 Tenants Total (Gross)/ Average	**-**	**67,126**	**91.3%**	**695,064**	**100.0%**	**-**	**-**	**-**
Other Tenants	-	-	0.0%	-	0.0%	-	-	-
Parking and Other Income	-	-	0.0%	-	0.0%	-	-	-
Vacant Space	-	6,426	8.7%	-	0.0%	-	-	-
Portfolio Total (Gross)/ Average		**73,552**	**100.0%**	**695,064**	**100.0%**	**-**	**-**	**-**
Irrecoverables/ Headlease Rent	-	-	0.0%	-	0.0%	-	-	-
Portfolio Total (Net)/ Average	**-**	**73,552**	**100.0%**	**695,064**	**100.0%**	**-**	**-**	**-**

[1] Rating of the parent company, Britannia Building Society
[2] Rating of the parent company, France Telecom

The Environment Agency Building Loan

Loan Information	
Borrower Name	Penrith Properties Ltd
Sponsor	Private Individual
Origination Date	02/02/05
Maturity Date	22/10/10
Cut-Off Date Balance	2,830,543
Next Payment Date	22/07/05
Cut-Off Date LTV	80.9%
Exit LTV	61.0%
Type of Amortisation	Amortising
Interest Rate Type	Fixed Rate
All-In Rate	6.280%
Interest Rate Calculation	Actual/ 365
Cut-Off Date ICR	158.6%
Cut-Off Date DSCR	102.1%
Dividend Trap	125.0%
Interest Cover Covenant	110.0%
Pledged Rent Account	Yes
Escrow Account	No
A/B Loan Structure	No
B Piece Balance at Cut-Off Date	N/A

Property Information	
Single Asset / Portfolio	Single Asset
City	Penrith
Location	North West
Year Built	1998
Number of Properties	1
Type of Property	Office
The Collateral	The Environment Agency
Market Valuation	£3,500,000
Net Rental Income	£278,400
Net Initial Yield	7.52%
Tenure	Freehold
Valuer	Allsop & Co
Date of Valuation	28/10/04
Square Footage	18,800
Occupancy by Area	100%

Major Tenant	**% SqFt**	**Gross Rent(£)**	**Gross % Rent**
The Environment Agency	100%	278,400	100%

The Loan

The purpose of this Loan was to refinance a loan made to acquire the Environment Agency's offices in Cumbria in 1998.

Instalments Schedule	
Date	**Amount of Repayment Instalment (£)**
Jul 2005	23,836
Oct 2005	23,722
Jan 2006	24,110
Apr 2006	25,484
Jul 2006	25,406
Oct 2006	25,336
Jan 2007	25,750
Apr 2007	27,115
Jul 2007	27,081
Oct 2007	27,057
Jan 2008	27,499
Apr 2008	28,401
Jul 2008	39,997
Oct 2008	40,203
Jan 2009	40,860
Apr 2009	42,380
Jul 2009	42,639
Oct 2009	42,917
Jan 2010	43,619
Apr 2010	45,123
Jul 2010	45,457
Oct 2010	2,136,550

The Property

The property comprises a self contained office building constructed in 1998. It is arranged over a lower ground, ground and one upper floor and benefits from 121 onsite car parking spaces.

The Property is located in Penrith, a market town situated in the county of Cumbria on the northern boundary of the Lake District National Park. Penrith is situated adjacent to Junction 40 of the M1 and is on the A66 which is one of the major west-to-east routes across the Northern Pennines linking Workington on the Cumbrian coast and Scotch Corner in North Yorkshire.

The property is held freehold and is let in its entirety on a full repairing and insuring lease to The Environment Agency.

Tenancies

The sole tenant, The Environment Agency, is a quasi-autonomous non-governmental organisation (QUANGO), although it is partially funded by government grants. The lease is for a term of 25 years from 5th June 1998, therefore expiring June 2023. The tenant has the option to break the lease on 5th December, 2013, provided 12 months written notice is given. The current rent payable is £278,400 per annum. The lease is subject to minimum guaranteed uplifts at review (five yearly), calculated as the rent previously payable multiplied by 1.16. At the next review (June 2008), the rent payable will therefore increase to at least £322,944.

The Borrower / Sponsor

The Borrower is a limited company, incorporated under the laws of the British Virgin Islands and controlled by an individual who is a principal of Blenheim Properties Group Limited, Telford Properties Limited and Stainbell Holdings Limited.

Lease Expiration Summary[1]

The following table shows scheduled lease expirations for the Property financed by The Environment Agency Building Loan:

Lease Roll-over Schedule								
Year	**# Leases Rolling**	**SqFt Rolling**	**% of total SqFt Rolling**	**Cumulative % of SqFt Rolling**	**Annual Gross Rental Income Rolling (£)**	**Average Total Gross Rental Income per SqFt Rolling**	**% of Total Gross Rental Income Rolling**	**Cumul. % of Total Gross Rental Income Rolling**
2023	1	18,800	100.0%	100.0%	278,400	14.8	100.0%	100.0%
Vacant Space	-	-	-	100.0%	-	-	-	100.0%
Total/Average	**1**	**18,800**	100.0	**-**	**278,400**	**14.8**	100.0	-

Major Tenant Summary

The following table shows certain information regarding certain major tenants of the Property financed by the Environment Agency Building Loan:

Largest Tenants Based on Annual Rent								
Tenant	Credit Rating S&P/ Moody's/ Fitch	Tenant SqFt	% of total SqFt	Annual Gross Rental Income (£)	% of Total Annual Gross Rental Income	Current Annualised Gross Rental Income per SqFt	Lease Expiration	First Break Date
The Environment Agency	-	18,800	100.0%	278,400	100.0%	14.8	05/06/23	05/12/13
Top Tenant Total (Gross)/ Average	**-**	**18,800**	**100.0%**	**278,400**	**100.0%**	**14.8**	**-**	**-**
Other Tenants	-	-	0.0%	-	0.0%	-	-	-
Parking and Other Income	-	-	0.0%	-	0.0%	-	-	-
Vacant	-	-	-	-	-	-	-	-
Portfolio Total (Gross)/ Average		**18,800**	**100.0%**	**278,400**	**100.0%**	**14.8**	**-**	**-**
Irrecoverables/ Headlease Rent	-	-	0.0%	-	0.0%	-	-	-
Portfolio Total (Net)/ Average	-	-	0.0%	-	0.0%	-	-	-
Top 10 Tenants Total (Net)/ Average	**-**	**18,800**	**100.0%**	**278,400**	**100.0%**	**14.8**	**-**	**-**

[1] Based exclusively on expiry dates, break dates are not taken into account.

SERVICING

Master Servicing Agreement

On the Closing Date, the Issuer, the Master Servicer, the Master Special Servicer, the Issuer Security Trustee and the Note Trustee will enter into an agreement (the "**Master Servicing Agreement**") pursuant to which MSMS will be appointed to act as the Master Servicer and Master Special Servicer of the Loans and the Related Security.

As described under "Delegation by Master Servicer" below, the Master Servicer and Master Special Servicer will sub-delegate their duties in relation to the servicing and special servicing of the Lloyds Building Loan to the HRE Loan Sub-Servicer and HRE Loan Sub-Special Servicer, respectively.

The duties of the Master Servicer include monitoring the payments made by the Borrowers and issuing certain reports and notices (including quarterly loan performance reports, watchlist reports and prepayment notices) to the Issuer, the Note Trustee, the Issuer Security Trustee, the Operating Adviser (if any), the Cash Manager, the Reporting Agent and the Rating Agencies in respect of the performance of the Loans. In compiling these reports the Master Servicer will, in the case of the Lloyds Building Loan, be dependant upon the receipt of information provided by the HRE Loan Sub-Servicer (or, as the case may be, the HRE Loan Sub-Special Servicer) and, in the case of the St. Enoch Loan, will be dependant upon the receipt of information provided by the St. Enoch Facility Agent. Such reports and notices will be made available to Noteholders on the Reporting Agent's website located at www.ctslink.com or such other website that the Master Servicer may use for this purpose. The Master Servicer will procure that notice is given to Noteholders of any change in the website used for dissemination of servicing reports and notices in accordance with Condition 14 at page 170. No such website forms part of the information contained in this Prospectus. Registration may be required for access to any such website and disclaimers may be posted with respect to the information posted thereon.

Certain of the services to be provided by the Master Servicer under the Master Servicing Agreement, such as the exercise on behalf of the Issuer and the relevant Loan Security Trustee of their rights, powers and discretions as lender and mortgagee, respectively, under the Loans and the Related Security, require the Master Servicer to exercise discretion in their performance. The remainder of the services to be performed by the Master Servicer under the Master Servicing Agreement, such as the provision of reports relating to the performance of the Loans and the rental income generated by the Properties, are administrative in nature. If a Loan becomes a Specially Serviced Loan, the Master Special Servicer will provide the discretionary services relating to that Loan in place of the Master Servicer. For further information regarding the circumstances in which a Loan will become a Specially Serviced Loan, see "Transfer of powers to the Master Special Servicer" at page 126. For further information regarding the manner in which Master Servicer and the Master Special Servicer will exercise their respective discretions under the Master Servicing Agreement, and restrictions on their ability to do so, see "Modifications and Exercise of Discretions" at page 127.

Standards to be Applied

In performing their respective obligations under the Master Servicing Agreement, each of the Master Servicer and Master Special Servicer must act in accordance with the following standards, applying such standards in the following order of priority in the event of a conflict: (a) any and all applicable laws; (b) the express provisions of the applicable Loan Documentation including the Intercreditor Agreement; (c) the express provisions of the Master Servicing Agreement; and (d) the Servicing Standard. The "**Servicing Standard**" is the standard of skill, care and diligence it would apply if it were the beneficial owner of the Loans, with a view to the timely collection of all sums owing under the Loans and, on the occurrence of an event of default in relation to a Loan, the maximisation of recoveries available in respect of such Loan (taking into account the likelihood of recovery of amounts due, the timing of any such recovery and the costs of recovery), without regard to any fees or other compensation to which the Master Servicer or the Master Special Servicer may be entitled, any obligation of the Master Servicer or the Master Special Servicer to incur any expense in connection with the performance of its obligations, any relationship the Master Servicer or the Master Special Servicer or any of their respective affiliates may have with any Borrower (or any affiliate of any Borrower) or any other party to the transactions contemplated by the issue of the Notes, the different payment priorities among the Notes or the ownership of any Note by the Master Servicer or Master Special Servicer or any affiliate thereof.

The Master Servicing Agreement provides that if a conflict arises between the interests of the Master Servicer or Master Special Servicer (or any of their respective affiliates) on the one hand and the interests of the Noteholders (or any class of Noteholders) on the other, then the interests of the Noteholders (or the holders of the most senior class of Notes whose interests are affected) shall prevail. Upon being requested to do so in writing by the Issuer Security Trustee, the Master Servicer or the Master Special Servicer shall provide the Issuer Security Trustee with a written explanation as to why, in relation to any particular matter specified in such request, no such conflict exists. If the request for the explanation is submitted by the Issuer Security Trustee and the Master Servicer or Master Special Servicer does not provide the Issuer Security Trustee with a satisfactory explanation within 10 days of being required to do so, the Issuer Security Trustee shall notify the Note Trustee and shall take any further steps which the Note Trustee instructs it to take in relation thereto. The Note Trustee shall not be obliged to request an explanation or to issue any such instructions unless required to do so by an Extraordinary Resolution of the most senior class of Notes then outstanding and shall be entitled to assume that no such conflict of interest exists.

Delegation by the Master Servicer and Master Special Servicer

The Master Servicing Agreement permits each of the Master Servicer and the Master Special Servicer to sub-contract or delegate all or any of its duties thereunder. Notwithstanding any such sub-contracting arrangements, neither the Master Servicer nor the Master Special Servicer will be released or discharged from their respective liabilities under the Master Servicing Agreement and the Master Servicer and the Master Special Servicer will remain responsible for the performance by any sub-contractor or delegate of their respective duties thereunder.

The Master Servicer and the Master Special Servicer will delegate to the HRE Loan Sub-Servicer and the HRE Loan Sub-Special Servicer, respectively, all of its duties under the Master Servicing Agreement insofar as they relate to the Lloyds Building Loan. In doing so, the HRE Loan Sub-Servicer will assume day-to-day responsibility for administering the Lloyds Building Loan and will provide the Master Servicer with information relating to the Lloyds Building Loan which will enable the Master Servicer to prepare quarterly reports on all of the Loans in the Loan Pool as described under "Information and Reporting" at page 125. If the Lloyds Building Loan becomes a Specially Serviced Loan, the HRE Loan Sub-Special Servicer will act as sub-servicer of such Loan in place of the HRE Loan Sub-Servicer. The HRE Loan Sub-Servicer and the HRE Loan Sub-Special Servicer will not be entitled to exercise certain discretions in relation to the Lloyds Building Loan unless they have consulted with or, in most cases, obtained the consent of the Master Servicer or the Master Special Servicer thereto. Following the service of an Enforcement Notice, the Issuer Security Trustee shall be entitled to issue instructions and directions directly to the HRE Loan Sub-Servicer and the HRE Loan Sub-Special Servicer in place of the Master Servicer and the Master Special Servicer, respectively.

If the Lloyds Building Loan becomes a Specially Serviced Loan, the Master Special Servicer may, subject to the HRE Loan Sub-Special Servicer being indemnified to its satisfaction, require the HRE Loan Sub-Special Servicer to use all reasonable endeavours to appoint an entity which is acceptable to the Master Special Servicer to perform the duties of the HRE Loan Sub-Special Servicer insofar as they relate to the Lloyds Building Loan for so long as that Loan remains a Specially Serviced Loan. All fees, costs and expenses payable to any sub-underdelegate of the HRE Loan Sub-Special Servicer so appointed at the request of the Master Special Servicer will be paid by the Master Special Servicer, subject to such terms as may be agreed by the Master Special Servicer and the sub-underdelegate, without recourse to the HRE Loan Sub-Special Servicer, the HRE Loan Sub-Servicer, the Master Special Servicer, the Issuer or the Issuer Security Trustee.

The Master Servicer and Master Special Servicer have agreed to pay certain fees to the HRE Loan Sub-Servicer and HRE Loan Sub-Special Servicer in consideration for such persons performing their respective duties under the HRE Loan Sub-Servicing Agreement and to reimburse the costs and expenses incurred by the HRE Loan Sub-Servicer and HRE Loan Sub-Special Servicer in connection therewith. In general, the obligations to make such payments to the HRE Loan Sub-Servicer and the HRE Loan Sub-Special Servicer are obligations of the Master Servicer and the Master Special Servicer, respectively, and are not obligations of the Issuer, the Issuer Security Trustee or any other person. However, to the extent that the HRE Loan Sub-Servicer or HRE Loan Sub-Special Servicer charges the Master Servicer or Master Special Servicer VAT in respect of any services performed by it under the HRE Loan Sub-Servicing Agreement, the Master Servicer or Master Special Servicer shall be entitled to treat the same as a cost incurred on behalf of the Issuer under the Master Servicing Agreement and the Issuer shall be obliged to reimburse the Master Servicer or the Master Special Servicer in respect thereof on the next following Interest Payment Date, together with interest thereon at the Reimbursement Rate.

Servicing of the St. Enoch Loan

Deutsche Bank acts as the facility agent of the lenders in respect of the St. Enoch Loan and as the St. Enoch Loan Security Trustee. Accordingly, when exercising, as agent of the Issuer, the rights and powers of the Issuer as a lender under the St. Enoch Loan, the Master Servicer and Master Special Servicer will give instructions to Deutsche Bank as facility agent (the "**St. Enoch Facility Agent**") and as St. Enoch Loan Security Trustee in accordance with the St. Enoch Agency Agreement. As the Issuer will only purchase a 50 per cent. participation in the St. Enoch Loan Facility, the Master Servicer and Master Special Servicer will only be able to service that portion of the St. Enoch Loan Facility.

The MS Loan Originator and Deutsche Bank have entered into an agency agreement (the "**St. Enoch Agency Agreement**") to further regulate the administration of the St. Enoch Loan. Deutsche Bank, in its capacity as the facility agent and servicing agent, will exercise no discretion in the servicing of the St. Enoch Loan without the prior consent of both lenders (including, therefore, the Master Servicer on behalf of the Issuer).

Collection and Allocation of Funds

As described under "The Structure of the Accounts" at page 83, the Master Servicer will from time to time direct the relevant Loan Security Trustee to transfer payments made in respect of the Loans (other than the St. Enoch Loan) from the Rent Accounts to the Transaction Account. In the case of the St. Enoch Loan, the St. Enoch Facility Agent will apply payments due from the Borrower under the St. Enoch Credit Agreement to the Issuer as lender into the Transaction Account. The Cash Management Agreement requires the Master Servicer on each Calculation Date, to calculate the Issuer Interest Receipts, the Issuer Principal Receipts and the Prepayment Fees received during the related Collection Period in respect of each Loan, and to determine which portions of the Issuer Principal Receipts transferred to the Transaction Account during that Collection Period consist of Amortisation Funds, Prepayment Redemption Funds, Final Redemption Funds and Principal Recovery Funds.

Unless the applicable Credit Agreement or the St. Enoch Agency Agreement requires otherwise, all amounts applied towards sums due in respect of a Loan will be allocated in the following order of priority:

(i) **first**, towards costs, expenses and fees, including all fees payable by a Borrower as a result of the termination of an Issuer Swap Transaction related to that Borrower's Loan (if any), but excluding all other Prepayment Fees;

(ii) **secondly**, towards interest;

(iii) **thirdly**, towards principal; and

(iv) **fourthly**, towards Prepayment Fees (other than those allocated under item (i) above),

in each case to the extent that such amounts are due and payable under the applicable Credit Agreement at the relevant time.

Arrears and Default Procedures

The Master Servicer or, in respect of any Specially Serviced Loans, the Master Special Servicer will be responsible for the supervision and monitoring of payments falling due in respect of the Loans and, on the occurrence of a default, the application of the then-current enforcement procedures (the "**Enforcement Procedures**") which in the case of the St. Enoch Loan, will involve issuing instructions (along with the St. Enoch co-lender) to the St. Enoch Facility Agent and the St. Enoch Loan Security Trustee. See "Risk Factors" for a description of the implications of the Master Servicer or Master Special Servicer (on behalf of the Issuer) being unable to agree with the St. Enoch co-lender as to the strategy to be employed following the occurrence of a default under the St. Enoch Loan. The Enforcement Procedures to be applied in the case of the Lloyds Building Loan (the "**Sub-Servicer Enforcement Procedures**") will be agreed between the Master Servicer, the Master Special Servicer, the HRE Loan Sub-Servicer and HRE Loan Sub-Special Servicer and will be implemented by the HRE Loan Sub-Servicer and HRE Loan Sub-Special Servicer. Neither the HRE Loan Sub-Servicer nor the HRE Loan Sub-Special Servicer may implement any changes to such Sub-Servicer Enforcement Procedures unless the Master Servicer and Master Special Servicer, respectively, have given their prior consent to such changes (such consent not to be unreasonably withheld). The Master Servicer, or in relation to Loans that are Specially Serviced Loans, the Master Special Servicer may supplement any Sub-

Servicer Enforcement Procedures with instructions to the HRE Loan Sub-Servicer or HRE Loan Sub-Special Servicer, respectively, regarding the timing and manner of enforcement of the relevant Loan and its Related Security. In the event of a conflict between any such instructions and the Sub-Servicer Enforcement procedures, the instructions of the Master Servicer or Master Special Servicer, as the case may be, will prevail.

The Enforcement Procedures and the Sub-Servicer Enforcement Procedures must comply with the standards which are required to be applied by the Master Servicer and the Master Special Servicer in the performance of their duties generally, as described under "Standards to be Applied" at page 122. On the occurrence of an event of default in relation to a Loan, the Enforcement Procedures or the Sub-Servicer Enforcement Procedures (as the case may be) may require a receiver to be appointed who will agree with the Master Servicer, or (as is more likely in a Loan default situation) the Master Special Servicer; in the case of the St. Enoch Loan, the St. Enoch co-lender; and in the case of the Lloyds Building Loan, the HRE Loan Sub-Special Servicer, the best strategy for preserving the Issuer's rights under the Loan and in respect of the Property. An agreed strategy may result in the receiver managing the Property for a certain time or seeking to sell the Property. However, under certain circumstances, the Servicing Standard may require the Master Servicer or the Master Special Servicer, as the case may be, to waive, vary or amend certain terms of the applicable Loan Documentation, rather than to appoint a receiver. The ability of the Master Servicer or Master Special Servicer, as the case may be, to waive, vary or amend (or in the case of the St. Enoch Loan and subject to the St. Enoch Agency Agreement) to instruct the St. Enoch Facility Agent to waive, vary or amend the Loan Documentation is subject to the limitations described under "Modifications and Exercise of Discretions" at page 127.

The net proceeds realised upon the enforcement of any Related Security (after payment of the costs and expenses of the enforcement) will, together with any amount payable on any related insurance contracts, be applied against the sums owing from the relevant Borrower in the manner and order of priority described under "Collection and Allocation of Funds" at page 124.

Insurance

The Master Servicer will be responsible for monitoring compliance with the terms of the Loans (other than the St. Enoch Loan) regarding insurance of the Properties whether or not the Loans are Specially Serviced Loans. In the case of the St. Enoch Loan, monitoring of insurance will be the responsibility of the St. Enoch Loan Facility Agent, and in the case of the Lloyds Building Loan, monitoring of the insurance will be the responsibility of the HRE Loan Sub-Servicer.

Upon becoming aware that any policy of buildings insurance has lapsed or that any Property (other than the Property which secures the St. Enoch Loan) is otherwise not insured in accordance with the terms of the relevant Credit Agreement, the Master Servicer must arrange and, on behalf of the Issuer, pay for the required level of insurance coverage unless it considers that the costs of so doing will not be recoverable from the relevant Borrower. On the Interest Payment Date following the date on which the Master Servicer incurs any out-of-pocket costs and expenses in reinstating any buildings insurance coverage, the Issuer will reimburse the Master Servicer for such amounts. The Credit Agreements relating to the MS Loans require the Borrowers to reimburse the Issuer for the costs of reinstating any buildings insurance coverage and the Master Servicer must use all reasonable endeavours to recover such sums from the Borrower.

The St. Enoch Facility Agent has similar responsibilities relating to the monitoring of insurance of the Property securing the St. Enoch Loan and the arranging of insurance if cover should lapse.

For further information about insurance arrangements in respect of the Properties, see "Summary - Insurance" at page 15 and "Risk Factors – Factors Relating to the Loans – Insurance" at page 39.

Information and Reporting

The duties of the Master Servicer include monitoring the payments made by the Borrowers and issuing quarterly reports in respect of the performance of the Loans during the immediately preceding Collection Period. The performance by the Master Servicer of these duties in relation to the Lloyds Building Loan and the St. Enoch Loan will depend on the receipt by it of the relevant information from the HRE Loan Sub-Servicer and the St. Enoch Facility Agent, respectively. The Master Servicer or, if at the relevant time the Loan is a Specially Serviced Loan, the Master Special Servicer, will be obliged to notify the relevant Originator and the Issuer Security Trustee of any matter which becomes known to the Master Servicer or the Master Special

Servicer which is a breach of any of the representations and warranties made by such Originator to the Issuer in the relevant Loan Sale Agreement.

The Master Special Servicer agrees that any non-public information which is disclosed to it in its capacity as Master Special Servicer which is not made available to the Noteholders in their capacities as such, and which Noteholders other than the Noteholders who constitute Controlling Party could reasonably consider important in making an investment decision regarding the Notes, will be used by the Master Special Servicer solely for the purposes of performing its duties under the Master Servicing Agreement. The Master Special Servicer will agree not to use any such non-public information for any dealings in relation to the Notes which would contravene any applicable law or regulation, including the rules of the Irish Stock Exchange.

Transfer of powers to the Master Special Servicer

If:

(a) a Borrower fails to repay any amount of principal due and payable on a day other than the maturity date of the relevant Loan or pay any amount of interest, in each case for five Business Days after the Master Servicer has notified such Borrower that such repayment of principal or payment of interest is overdue (taking into account any cure period); or

(b) the payment required to be made by a Borrower in respect of a Loan on its maturity date is not paid when due; or

(c) a Borrower and/or Mortgagor has become subject to, entered into or consented to any insolvency, moratorium, administration, liquidation, receivership or similar proceedings (unless the Master Servicer, acting in accordance with the Servicing Standard, is satisfied that such procedures or proceedings are vexatious or frivolous or that such Borrower or Mortgagor is in good faith disputing such proceedings); or

(d) the Master Servicer becomes aware that an interest cover percentage in respect of a Loan is less than the level at which the applicable Credit Agreement requires it to be maintained and an event of default subsists under the applicable Credit Agreement as a result; or

(e) the Master Servicer considers that there is an imminent risk of a material default under the Loan, which material default will not be cured within 60 days of its occurrence; or

(f) any other event of default occurs under the relevant Credit Agreement,

(each a "**Servicing Transfer Event**"), the Master Servicer shall notify the Operating Adviser (if one has been appointed), the Issuer Security Trustee and the Master Special Servicer of such event, whereupon the relevant Loan will become a Specially Serviced Loan and will remain so until it becomes a Corrected Loan (as described below) or until the Enforcement Procedures are completed in relation thereto or until it is sold or redeemed in full.

A Specially Serviced Loan will become a "**Corrected Loan**" if, for two consecutive Collection Periods, the Borrower pays all principal, interest and other amounts owing in respect of such Specially Serviced Loan when they fall due and no other Servicing Transfer Event is persisting which has persisted for a period of two complete, consecutive Collection Periods or longer.

The designation of a particular Loan as a Specially Serviced Loan will not affect the Master Servicer's obligations with respect to the Loans which are not Specially Serviced Loans or the performance of those of its obligations which are not of a discretionary nature.

Appointment of Operating Adviser

The Controlling Party may elect to appoint an operating adviser (the "**Operating Adviser**") to represent its interests and to advise the Master Special Servicer about the following matters in relation to each Specially Serviced Loan: (a) appointment of a receiver or similar actions to be taken; (b) the amendment, waiver or modification of any term of the applicable Loan which affects the amount payable by the relevant Borrower or the time at which any amounts are payable, or any other material term of the relevant Loan; (c) any action taken

in order to ensure compliance with environmental laws at the relevant Property; and (d) the release of any part of a Specially Serviced Loan's Related Security, or the acceptance of substitute or additional Related Security other than in accordance with the terms of the relevant Loan. Before taking any action in connection with the matters referred to in (a) to (d) above, the Master Special Servicer must notify the Operating Adviser of the action it intends to take in relation thereto and must take due account of the advice and representations of the Operating Adviser. However, in the event that the Master Special Servicer determines that immediate action is required to meet the Servicing Standard, it may take whatever action it considers necessary without waiting for the Operating Adviser's response. If the Master Special Servicer does take such action and the Operating Adviser objects in writing to the actions so taken within 10 Business Days after being notified of the action and provided with all reasonably requested information, the Master Special Servicer must take due account of the advice and representations of the Operating Adviser regarding any further steps the Operating Adviser considers should be taken in the interests of the Controlling Party. The Operating Adviser will be considered to have approved any action taken by the Master Special Servicer without the prior approval of the Operating Adviser if it does not object within 10 Business Days. Furthermore, the Master Special Servicer shall not be obliged to consult further with the Operating Adviser for any actions to be taken with respect to any Specially Serviced Loan if the Master Special Servicer has notified the Operating Adviser in writing of the actions that the Master Special Servicer proposes to take with respect to such Loan and, for 30 days following the first such notice, the Operating Adviser has objected to all of those proposed actions and has failed to suggest any alternative actions that the Master Special Servicer considers to be in accordance with the Servicing Standard.

The Operating Adviser and its officers, directors, employees and owners will have no liability to Noteholders (save with respect to the Controlling Party) for any advice given, or representations made, to the Master Special Servicer, or for refraining from the giving of advice or making of representations. The Operating Adviser is not prohibited from (a) having special relationships and interests that conflict with those of holders of one or more classes of Notes, (b) acting solely in the interests of the holders of the Controlling Party, and (c) acting to favour the interests of the Controlling Party over the interests of other Noteholders. The Operating Adviser will neither violate any duty nor incur any liability by acting solely in the interests of the Controlling Party and, in fact, owes no duties to any class of Noteholder except the Controlling Party. Notwithstanding the appointment of an Operating Adviser, the Master Special Servicer must act at all times in accordance with the requirements of the Master Servicing Agreement, including the requirement to act in accordance with the Servicing Standard.

Modifications and Exercise of Discretions

The Master Servicing Agreement imposes restrictions on the ability of the Master Servicer and the Master Special Servicer to consent to waivers, variations or amendments of certain terms of the Loan Documentation. For example, the Issuer Security Trustee's consent is required to any waiver, variation or amendment which would require the Issuer to make a further advance, to extend the final maturity date of a Loan beyond its final maturity date (as at the Closing Date), to vary the rate of interest payable in respect of a Loan or to waive more than five per cent. of the principal amount outstanding of a Loan as at the Cut-Off Date. While any of the Notes are outstanding, the Issuer Security Trustee shall not grant its consent to any of these matters unless instructed to do so by the Note Trustee. Neither the Issuer Security Trustee nor the Note Trustee will be liable for any delay if, as a result of being required to consent to such waiver, variation or amendment, the Note Trustee calls a meeting of the Noteholders or any class of Noteholders and/or seeks expert advice in connection therewith. Furthermore, neither the Master Servicer nor Master Special Servicer may consent to the release and substitution of a Property included in the Related Security for any Loan where the value of the Property to be released (calculated by reference to its Origination Valuation) exceeds 15 per cent. of the aggregate value of the Properties initially charged as security for that Loan (calculated by reference to their respective Origination Valuations) unless each of the Rating Agencies has confirmed in writing that such action shall not result in the then current ratings of the Notes being downgraded, withdrawn or qualified.

If the consent of the Issuer Security Trustee or confirmation from the Rating Agencies is required before action is taken in respect of a Loan, neither the Master Servicer nor the Master Special Servicer shall be in breach of the Master Servicing Agreement if, pending receipt of such consent or confirmation, they do not take the action in respect of which the consent is sought. Furthermore, if any provision of the Master Servicing Agreement requires the Master Servicer or Master Special Servicer to obtain a written confirmation from the Rating Agencies in respect of a particular matter but a Rating Agency declines to issue such a confirmation, then the relevant provision shall be read and construed as though confirmation from the Rating Agency declining to issue the confirmation was not required.

Notwithstanding any views of the Master Servicer or the Master Special Servicer or any directions given by them to the St. Enoch Facility Agent, the St. Enoch Facility Agent will not be authorised to agree to any such waivers, variations or amendments or to exercise any discretions on behalf of the lenders unless directed to do so both by the Master Servicer (as agent of the Issuer) and by the St. Enoch co-lender.

The Master Servicer will notify the Rating Agencies of all modifications and amendments to the Loan Documentation and will provide to the Rating Agencies such further information in relation thereto as they may reasonably require.

The Issuer Security Trustee may issue instructions to the Master Servicer and Master Special Servicer regarding the performance of their respective obligations under the Master Servicing Agreement if (a) the instructions are issued in connection with the exercise of a discretion or the issuance of an instruction or direction of which the Issuer Security Trustee has been given prior written notice as described above, or (b) an Enforcement Notice has been served.

Payments to the Master Servicer and the Master Special Servicer

Pursuant to the Master Servicing Agreement, on each Interest Payment Date the Issuer will pay the following amounts to the Master Servicer (or the person then entitled thereto) in accordance with the priority of payments:

(a) a fee (the "**Servicing Fee**") in respect of each Loan payable at the rate of 0.02 per cent. per annum (exclusive of any applicable value added tax) of the outstanding principal balance of the MS Loans and 0.04 per cent. per annum (exclusive of any applicable value added tax) of the outstanding principal balance of the Lloyds Building Loan, calculated on the first day of the Collection Period to which that Interest Payment Date relates; and

(b) a fee (the "**Master Servicing Fee**") equal to 0.01 per cent. per annum (exclusive of any applicable value added tax) of the aggregate outstanding principal balance of the Loans on the first day of the Collection Period to which that Interest Payment Date relates.

The Servicing Fee and the Master Servicing Fee will accrue from day to day and will be calculated on the basis of a 365-day year and the actual number of days elapsed in the relevant Collection Period. However, for the purposes of calculating the amount of the Servicing Fee payable in respect of a Loan, there shall be disregarded any days falling after the completion of the Enforcement Procedures or the sale or redemption in full of that Loan and days on which it was a Specially Serviced Loan.

If a Loan becomes a Specially Serviced Loan, the Issuer shall pay to the Master Special Servicer a fee (the "**Special Servicing Fee**") equal to 0.15 per cent. per annum (exclusive of value added tax) (or such lesser percentage rate per annum as may be agreed between the Master Special Servicer, the Issuer and the Issuer Security Trustee, from time to time) of the outstanding principal amount of such Loan, calculated on the first day of the Collection Period during which it became a Specially Serviced Loan. The Special Servicing Fee will accrue from day to day, will be calculated on the basis of a 365-day year and the actual number of days elapsed from and including the date on which such Loan became a Specially Serviced Loan until, but excluding, the date on which such Loan ceases to be a Specially Serviced Loan. The Special Servicing Fee will be payable in arrear on each Interest Payment Date commencing with the Interest Payment Date following the date on which the relevant Loan becomes a Specially Serviced Loan and ending on the Interest Payment Date following the date on which such Loan ceases to be a Specially Serviced Loan.

In addition to any Special Servicing Fee then payable to the Master Special Servicer (or other person entitled thereto), on each Interest Payment Date the Issuer shall pay to the Master Special Servicer a fee (the "**Liquidation Fee**") which is calculated by reference to the Principal Recovery Funds received by or on behalf of the Issuer in respect of any Specially Serviced Loan during the Interest Period then ended. The Liquidation Fee payable in respect of a Specially Serviced Loan on an Interest Payment Date will be an amount equal to one per cent. of the Principal Recovery Funds recovered during the related Collection Period as a result of the sale of any Property securing that Loan. Furthermore, on each Interest Payment Date, the Master Special Servicer will be entitled to a fee (the "**Work-out Fee**") equal to the aggregate (exclusive of value added tax) of not more than one per cent. of the Issuer Interest Receipts and not more than one per cent. of the Issuer Principal Receipts received by or on behalf of the Issuer during the Interest Period then ended in respect of any Loans which are, and remain, Corrected Loans. However:

(a) no Liquidation Fee shall be payable in respect of Principal Recovery Funds derived from the purchase of a Property relating to a Specially Serviced Loan or of a Specially Serviced Loan by the Master Servicer, the Master Special Servicer, any sub-servicer or sub-special Servicer, any Noteholder or any affiliate of any of the foregoing;

(b) no Work-out Fee will be payable in respect of a Corrected Loan if, prior to becoming a Corrected Loan, such Loan became and remained a Specially Serviced Loan solely by virtue of the actual interest cover percentage in respect thereof being less than the amount required by the applicable Loan Documentation; and

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

The Master Servicer will notify the Issuer Security Trustee and the Rating Agencies in writing if a Work-out Fee has become payable in respect of any Corrected Loan. Both before enforcement of the Notes and thereafter, all fees and other sums due to the Master Special Servicer will be payable in priority to payments on the Notes.

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

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

Ability to Purchase Loans and Related Security

The Issuer has, pursuant to the Master Servicing Agreement, granted to the Master Servicer the option to purchase, on any Interest Payment Date, all, but not some only, of the Loans, provided that on the Interest Payment Date on which the Master Servicer intends to purchase the Loans the then aggregate principal amount outstanding of all the Loans (calculated as at the Calculation Date immediately preceding such Interest Payment Date) is less than 10 per cent. of the Aggregate Cut-Off Date Balance. The Master Servicer must give the Issuer Security Trustee not more than 60 nor less than 30 days' prior written notice of its intention to purchase the Loans. The purchase price to be paid by the Master Servicer to the Issuer in respect of the Loans will be an amount equal to the then principal amount outstanding of those Loans and any accrued but unpaid interest thereon. Following the completion of such a purchase of those Loans by the Master Servicer, in the case of the Issuer, all of its rights, title and interest in those Loans shall be transferred to the Master Servicer and, in the

case of the Issuer Security Trustee, a release and discharge of its security interests in the Loans shall be perfected.

Termination of Appointment of Master Servicer or Master Special Servicer

The appointment of the Master Servicer or the Master Special Servicer under the Master Servicing Agreement may be terminated by the Issuer Security Trustee following a termination event, by voluntary termination or by automatic termination.

The Issuer Security Trustee may terminate the Master Servicer's or Master Special Servicer's appointment under the Master Servicing Agreement upon the occurrence of a termination event in respect of that entity under the terms of the Master Servicing Agreement, including, among other things, a default in the payment on the due date of any payment to be made by it under the Master Servicing Agreement and which default continues for a period of five Business Days after the earlier of the Master Servicer or the Master Special Servicer, as the case may be, becoming aware of such default and receipt by the Master Servicer or the Master Special Servicer, as the case may be, of written notice from the Issuer Security Trustee requiring the same to be remedied, or, in certain circumstances, a default in performance of any of its other material covenants or obligations under the Master Servicing Agreement, or in the event that an order is made or an effective resolution passed for its winding up, or if it becomes insolvent. On the termination of the appointment of the Master Servicer or, as the case may be, the Master Special Servicer by the Issuer Security Trustee, the Issuer Security Trustee may, subject to certain conditions (including, but not limited to, the receipt of written confirmation from the Rating Agencies that the then current rating of the Notes will not be downgraded, withdrawn or qualified as a result thereof, unless otherwise agreed by an extraordinary resolution of separate class meetings of each class of the Noteholders), appoint a substitute master servicer or, as the case may be, a substitute master special servicer. If the appointment of the Master Special Servicer is terminated in respect of any Loan (otherwise than by reason of that Loan ceasing to be a Specially Serviced Loan) and a successor is not appointed in accordance with the Master Servicing Agreement, the Master Servicer will assume the rights and obligations of the Master Special Servicer in respect of that Loan.

In addition the Controlling Party shall be entitled, by an Extraordinary Resolution of such Controlling Party, to require the Note Trustee to instruct the Issuer Security Trustee to terminate the appointment of the person then acting as Master Special Servicer and to use its reasonable endeavours to appoint a successor thereto acceptable to the Controlling Party.

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

On termination of its appointment, the Master Servicer or the Master Special Servicer, as the case may be, will forthwith deliver to the Issuer Security Trustee or as the Issuer Security Trustee directs, all documents, information, computer stored data and moneys held by it in relation to its appointment as Master Servicer or Master Special Servicer, as the case may be, and will be required to take such further action as the Issuer Security Trustee may reasonably direct to enable the services of the Master Servicer or the Master Special Servicer, as the case may be, to be performed by a substitute thereof.

CASH MANAGEMENT

Pursuant to the Cash Management Agreement, the Operating Bank will open and maintain, in the name of the Issuer, the Transaction Account, the Swap Collateral Cash Account, the Swap Collateral Custody Account and, if the Liquidity Facility Provider's rating falls below the Requisite Rating, the Stand-by Account. The Operating Bank has agreed to comply with any directions of the Cash Manager, the Issuer or the Issuer Security Trustee to effect payments from the Transaction Account, the Swap Collateral Cash Account or, if applicable, the Stand-by Account if such direction is made in accordance with the mandate governing the applicable account.

Calculation of Amounts and Payments

As described in "Servicing – Collection and Allocation of Funds" on page 124, in each Collection Period the Master Servicer will transfer funds from the Rent Accounts to the Transaction Account or, in the case of the St. Enoch Loan, will monitor the transfer of such funds to the Transaction Account. In addition, all payments made by the Issuer Swap Provider and/or the Issuer Swap Guarantor (other than those contemplated by the Issuer Swap Agreement Credit Support Document) and all Liquidity Drawings will be paid into the Transaction Account. Once such funds have been credited to the Transaction Account, the Cash Manager shall arrange for such sums to be invested in Eligible Investments. Funds will be applied by the Cash Manager as required by the Deed of Charge and Assignment and the Cash Management Agreement. For further information regarding how the Cash Manager will apply funds on Interest Payment Dates see "Cashflows– Available Funds and their Priority of Application – Payments out of the Transaction Account prior to Enforcement" at page 27 and "Credit Structure – Post-Enforcement Priority of Payments" at page 135.

"**Eligible Investments**" means (i) sterling denominated government securities or (ii) sterling demand or time deposits, certificates of deposit and short-term debt obligations (including commercial paper); provided that in all cases such investments will mature at least one business day prior to the next Interest Payment Date and the short-term unsecured, unguaranteed and unsubordinated debt obligations of the issuing or guaranteeing entity or the entity with which the demand or time deposits are made (being a bank or licensed European Union credit institution) are rated "F1+" by Fitch and "A-1+" by S&P, or are otherwise acceptable to each Rating Agency.

On each Calculation Date (being the second Business Day prior to the relevant Interest Payment Date, save in respect of the Interest Payment Date falling in April 2014 when it means the actual Interest Payment Date in April 2014), the Reporting Agent will determine the Available Interest Receipts, the Available Principal, the Prepayment Fees and the Swap Breakage Receipts as well as the amounts required to pay interest and principal due on the Notes on the forthcoming Interest Payment Date and all other amounts then payable by the Issuer. The Reporting Agent will also calculate the Principal Amount Outstanding for each class of Notes for the Interest Period commencing on such forthcoming Interest Payment Date. Forthwith upon making such calculations, the Reporting Agent will notify the Cash Manager thereof.

On each Interest Payment Date, the Cash Manager will instruct the Operating Bank to: (a) make any payment required to be made by the Issuer under the Issuer Swap Transactions (and any payment required to be made in order to enter into a replacement swap agreement); and (b) pay on behalf of the Issuer, out of the Available Interest Receipts and Available Principal determined by the Reporting Agent to be available for such purposes, each of the payments required to be paid pursuant to, and in the priority set forth in, the Deed of Charge and Assignment, including all payments required to carry out redemption of the Notes pursuant to Condition 5(*b*) at page 156, in each case according to the provisions of such Condition. On each Business Day on which the same are paid into the Transaction Account the Cash Manager shall (x) arrange to be paid to the relevant Class X Certificate Holder an amount equal to the Prepayment Fees that were transferred to the Transaction Account during the related Collection Period; and (y) arrange to be paid to the relevant Originator as a component of the Deferred Consideration an amount equal to the Swap Breakage Receipts (to the extent they do not constitute Available Interest Receipts) payable to such Originator that were transferred to the Transaction Account during the related Collection Period. In addition, on each Business Day on which the Cash Manager is notified by the Master Servicer that it is required to do so, the Cash Manager will instruct the Operating Bank to pay, out of Issuer Interest Receipts or (if the same are insufficient) out of Issuer Principal Receipts, all Revenue Priority Amounts and Principal Priority Amounts required to be made by the Issuer on that that date.

The Cash Manager will submit notices of drawdown under the Liquidity Facility Agreement in respect of Interest Drawings and Expenses Drawings as described under "Credit Structure – Liquidity Facility" at page 136. If the Cash Manager fails to submit a notice of drawdown on behalf of the Issuer when it is required to do so, then either the Issuer or, if the Issuer fails to do so, the Note Trustee may submit the relevant notice of drawdown. The Cash Manager will also be responsible for submitting to the Liquidity Facility Provider requests to extend the Liquidity Facility, as further described under "Credit Structure – Liquidity Facility" at page 136.

Ledgers

The Cash Manager will maintain the following ledgers:

(a) a ledger in respect of Issuer Interest Receipts (the "**Interest Ledger**");

(b) a ledger in respect of Issuer Principal Receipts (the "**Principal Ledger**");

(c) a ledger in respect of drawings made under the Liquidity Facility Agreement (the "**Liquidity Ledger**");

(d) a ledger in respect of prepayment fees (the "**Prepayment Fee Ledger**"); and

(e) a ledger in respect of Swap Breakage Receipts (the "**Swap Breakage Receipts Ledger**").

The Cash Manager will from time to time in accordance with the payments made:

(i) credit the Interest Ledger with all Issuer Interest Receipts transferred and credited to the Transaction Account and debit the Interest Ledger with all payments made out of Issuer Interest Receipts;

(ii) credit the Principal Ledger with all Issuer Principal Receipts transferred and credited to the Transaction Account and debit the Principal Ledger with all payments made out of Issuer Principal Receipts;

(iii) credit the Liquidity Ledger with all payments of interest on and repayments of principal of drawings made under the Liquidity Facility Agreement and debit the Liquidity Facility Ledger with all drawings made by the Issuer under the Liquidity Facility Agreement;

(iv) credit the Prepayment Fee Ledger with all Prepayment Fees transferred and credited to the Transaction Account and debit the Prepayment Fee Ledger with all payments made to a Class X Certificate Holder in respect of that part of the Deferred Consideration which comprises an amount equal to Prepayment Fees due and payable to such Class X Certificate Holder; and

(v) credit the Swap Breakage Receipts Ledger with all Swap Breakage Receipts transferred and credited to the Transaction Account and debit the Swap Breakage Receipts Ledger with (i) all payments made to an Originator in respect of that part of the Deferred Consideration which comprises an amount equal to Swap Breakage Receipts (other than Swap Breakage Receipts which constitute Available Interest Amounts) due and payable to such Originator and (ii) all amounts of Swap Breakage Receipts that are to be applied as Available Interest Receipts.

Reporting Agent's Reports

By 9.00 a.m. (London time) on each Interest Payment Date the Reporting Agent shall, pursuant to the Cash Management Agreement, deliver a payment report (the "**Quarterly Report**") to the Issuer, the Issuer Security Trustee, the Note Trustee, the Master Servicer, the Cash Manager and the Rating Agencies. The Quarterly Report will include, among other things, information concerning all amounts received in the Transaction Account and payments made from the Transaction Account during the relevant quarter. In addition, the Reporting Agent will deliver a preliminary pool factor report (a "**Preliminary Pool Factor Report**") by 9.00 a.m. (London time) on the second Business Day prior to each Interest Payment Date. Each Preliminary Pool Factor Report will contain information concerning the Pool Factor for the relevant Collection Period. All such reports will also be made available to Noteholders and certain other persons via the Reporting Agent's internet website currently located at www.ctslink.com; however, such website does not form part of the information provided for the purposes of this Prospectus. Registration may be required for access to this website and disclaimers may be posted with respect to the information posted thereon.

Delegation by the Cash Manager

The Cash Manager may, in certain circumstances, without the consent of the Issuer or the Issuer Security Trustee, sub-contract or delegate its obligations under the Cash Management Agreement. Notwithstanding any sub-contracting or delegation of the performance of any of its obligations under the Cash Management Agreement, the Cash Manager will not be released or discharged from any liability thereunder and will remain responsible for the performance of its obligations under the Cash Management Agreement by any sub-contractor or delegate.

Fees

Pursuant to the Cash Management Agreement the Issuer will pay on each Interest Payment Date a cash management fee to the Cash Manager and will arrange for a reporting agent fee to be paid to the Reporting Agent. The Issuer will also reimburse the Cash Manager, the Reporting Agent and the Operating Bank for all out-of-pocket costs and expenses properly incurred by them in the performance of the services to be provided by them under the Cash Management Agreement as Cash Manager, Reporting Agent and Operating Bank, respectively. Any successor will receive remuneration on the same basis.

Both before enforcement of the Notes and thereafter (subject to certain exceptions), amounts payable by the Issuer to the Cash Manager, the Reporting Agent and the Operating Bank will be payable in priority to interest payments due on the Notes. This order of priority has been agreed with a view to procuring the continuing performance by each of the Cash Manager, the Reporting Agent and the Operating Bank of their duties in relation to the Issuer, the Issuer Security Trustee and the Note Trustee.

Termination of Appointment of the Cash Manager and Reporting Agent

The appointment of each of the Cash Manager and the Reporting Agent under the Cash Management Agreement may be terminated by virtue of its resignation or its removal by the Issuer or the Issuer Security Trustee. The Issuer or the Issuer Security Trustee may terminate the Cash Manager's or Reporting Agent's appointment upon not less than three months' written notice or immediately upon the occurrence of a termination event as set out in the Cash Management Agreement, including, among other things, (a) a failure by the Cash Manager or Reporting Agent to make when due a payment required to be made by the Cash Manager or Reporting Agent, respectively, on behalf of the Issuer in accordance with the Cash Management Agreement, or (b) a default in the performance of any of the Cash Manager's or, as applicable, the Reporting Agent's other duties under the Cash Management Agreement which continues unremedied for a period of fifteen Business Days after the earlier of the Cash Manager or Reporting Agent becoming aware of such default or receipt by the Cash Manager or Reporting Agent of written notice from the Issuer Security Trustee requiring the same to be remedied, or (c) a petition is presented, an effective resolution is passed, or an application is made for its winding up or the appointment of a liquidator, an administrator or similar official, or a notice of intention to appoint an administrator is served, or an administrator is otherwise appointed.

The Cash Management Agreement requires that the Operating Bank be, except in certain limited circumstances, a bank which is an Authorised Entity. If the Operating Bank ceases to be an Authorised Entity, the Cash Manager will, within a reasonable time after having obtained the prior written consent of the Issuer, the Master Servicer and the Issuer Security Trustee and subject to establishing substantially similar arrangements to those contained in the Cash Management Agreement, procure the transfer of the Issuer Accounts and, in certain circumstances, the Stand-by Account to another bank which is an Authorised Entity.

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

The Cash Manager may resign as cash manager and the Reporting Agent may resign as reporting agent upon not less than three months' written notice of resignation to each of the Issuer, the Master Servicer, the Operating Bank and the Issuer Security Trustee provided that a suitably qualified successor Cash Manager or Reporting Agent shall have been appointed.

CREDIT STRUCTURE

The composition of the Loans and the Related Security and the structure of the transaction and the other arrangements for the protection of the Noteholders, in the light of the risks involved, have been reviewed by the Rating Agencies. The ratings assigned by the Rating Agencies to each class of Notes are set out in "Summary – The Notes – Ratings" at page 23. 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. The ratings of the Notes are dependent upon, among other things, the short-term unsecured, unguaranteed, unsubordinated debt ratings of the Liquidity Facility Provider and the short-term and long-term unsecured, unsubordinated debt rating of the Issuer Swap Guarantor. Consequently, a qualification, downgrade or withdrawal of either such ratings may have an adverse effect on the ratings of the Notes.

The principal risks associated with the Notes and the manner in which they are addressed in the structure are set out below. Attention is also drawn to the section of this Prospectus entitled "Risk Factors" at page 35 for a description of the principal risks in respect of the Loans and Related Security.

Liquidity, Credit and Basis Risks

The Issuer is subject to:

(a) the risk of delay arising between the dates upon which payments to the Issuer are due and the receipt of payments due from the Borrowers. This risk is addressed through the ability of the Issuer to make drawings under the Liquidity Facility Agreement to cover certain third party expenses and to make payments of interest due to the Noteholders. For further information about the Liquidity Facility, see "Credit Structure – Liquidity Facility" at page 136;

(b) the risk that payments due from Borrowers are not paid at all and that there is a failure by a Loan Security Trustee, the Master Servicer or the Master Special Servicer on behalf of the Issuer, to realise or to recover sufficient funds under the enforcement procedures in respect of the relevant Loan and Related Security in order to discharge all amounts due and owing by the relevant Borrower under a Loan. This risk is addressed in respect of the Notes by the credit support provided to more senior classes of Notes by those classes of Notes (if any) ranking lower in priority; and

(c) the risk of the interest rates payable by the Borrowers on the Loans being less than that required by the Issuer in order to meet its commitments under the Notes and its other obligations. This risk is addressed by the Issuer Swap Transactions. For further information about the Issuer Swap Transactions, see "The Issuer Swap Agreement" at page 139).

Liabilities under the Notes

The Notes and interest thereon will not be obligations or responsibilities of any person other than the Issuer. In particular, the Notes will not be obligations or responsibilities of, or be guaranteed by either Originator or any of their respective affiliates, or of or by the Managers, the Master Servicer, the Master Special Servicer or the HRE Loan Sub-Servicer, the HRE Loan Sub-Special Servicer, the Cash Manager, the Note Trustee, the Issuer Security Trustee, any Loan Security Trustee, the Corporate Services Provider, the Share Trustee, the Nominee Trustee, the PECO Holder, the Paying Agents, the Agent Bank, the Registrar, the Liquidity Facility Provider, the Issuer Swap Provider, the Issuer Swap Guarantor, the Exchange Agent, the Reporting Agent or the Operating Bank or any company in the same group of companies as those parties listed above and none of such persons accepts any liability whatsoever in respect of any failure by the Issuer to make payment of any amount due on the Notes.

On each Interest Payment Date, payments of interest on the Class B Notes, the Class C Notes and the Class D Notes, respectively, will be due and payable only if and to the extent that there are sufficient funds available to the Issuer to pay (i) interest on the Class A Notes and (ii) the Class X Amount and other liabilities of the Issuer ranking higher in priority to interest payments on the Class B Notes, the Class C Notes and the Class D Notes, respectively, as provided in "Summary – Available Funds and their Priority of Application – Payments out of the Transaction Account prior to Enforcement – Available Interest Receipts" at page 28, and which have been paid or provided for in full. To the extent that there are insufficient funds available to the Issuer on any Interest Payment Date to pay in full interest otherwise due on any one or more classes of junior-ranking Notes

then outstanding, after making the payments and provisions ranking higher in priority to the relevant interest payment, as the case may be, such interest will not then be due and payable but will become due and payable, together with accrued interest thereon, on subsequent Interest Payment Dates, but only if and to the extent that funds are available therefore, or on the date on which the relevant Notes are due to be redeemed in full.

The Class B Notes, the Class C Notes and the Class D Notes will provide credit support for the Class A Notes and the Class X Amounts. Available Principal will be applied as described in "Cashflows – Available Funds and their Priority of Application – Payments out of the Transaction Account prior to Enforcement – Available Principal" at page 31 and Condition 5*(b)* at page 156.

Post-Enforcement Priority of Payments

The Issuer Security will become enforceable upon the Note Trustee giving an Enforcement Notice and directing the Issuer Security Trustee to enforce the Issuer Security. Following enforcement of the Issuer Security, the Issuer Security Trustee will be required by the terms of the Deed of Charge and Assignment to apply all funds (other than funds standing to the credit of the Stand-by Account which shall be repaid to the Liquidity Facility Provider and Prepayment Fees which shall be paid to the relevant Originator under the relevant Loan Sale Agreement) received or recovered by it in accordance with the following order of priority (in each case, only if and to the extent that the payments and provisions of a higher priority have been made in full):

(i) in or towards payment or discharge of any amounts due and payable by the Issuer (including indemnity expenses (if any)) to (a) the Note Trustee, the Issuer Security Trustee, any Loan Security Trustee and any receiver appointed by or on behalf of the Issuer Security Trustee pursuant to the Deed of Charge and Assignment or any receiver appointed by the Loan Security Trustee in respect of a Loan and/or its Related Security, *pari passu* and *pro rata*; then (b) the Issuer Swap Provider in respect of amounts due or overdue to it under the Issuer Swap Agreement and the Issuer Swap Agreement Credit Support Document (other than payments to be made by the Issuer referred to in item (vii) below); then (c) the Paying Agents, the Registrar, the Exchange Agent and the Agent Bank in respect of amounts properly paid by such persons to the Noteholders and not paid by the Issuer under the Agency Agreement or the Exchange Rate Agency Agreement, *pari passu* and *pro rata*; then (d) the Master Servicer in respect of the Servicing Fee and Master Servicing Fee and the Master Special Servicer in respect of any Special Servicing Fees and any other amounts (including any amounts due to the Master Special Servicer in respect of any Work-out Fee or Liquidation Fee) due to the Master Servicer and the Master Special Servicer pursuant to the Master Servicing Agreement, in each case as between the Master Servicer and the Master Special Servicer, *pari passu* and *pro rata*; then (e) the Cash Manager under the Cash Management Agreement; then (f) the Corporate Services Provider under the Corporate Services Agreement; then (g) the Operating Bank under the Cash Management Agreement; then (h) the Reporting Agent under the Cash Management Agreement; and then (i) the Liquidity Facility Provider under and in accordance with the Liquidity Facility Agreement, other than any Stand-by Drawing and any Liquidity Subordinated Amounts;

(ii) in each case *pari passu* and *pro rata* (a) in or towards payment of (x) interest due or overdue on the Class A Notes and (y) the Class X Amount due or overdue; and after payment of all such sums (b) in repayment of all amounts of principal due or overdue on the Class A Notes and all other amounts due in respect of the Class A Notes until the outstanding principal balance of the Class A Notes is reduced to zero;

(iii) (a) in or towards payment of interest due or overdue on the Class B Notes; and after payment of all such sums (b) in repayment of all amounts of principal due or overdue on the Class B Notes and all other amounts due in respect of the Class B Notes until the outstanding principal balance of the Class B Notes is reduced to zero;

(iv) (a) in or towards payment of interest due or overdue on the Class C Notes; and after payment of all such sums (b) in repayment of all amounts of principal due or overdue on the Class C Notes and all other amounts due in respect of the Class C Notes until the outstanding principal balance of the Class C Notes is reduced to zero;

(v) (a) in or towards payment of interest due or overdue on the Class D Notes; and after payment of all such sums (b) in repayment of all amounts of principal due or overdue on the Class D Notes and all

other amounts due in respect of the Class D Notes until the outstanding principal balance of the Class D Notes is reduced to zero;

(vi) in or towards payment of any Liquidity Subordinated Amounts;

(vii) in or towards payment or discharge of any amounts that are due and payable by the Issuer to the Issuer Swap Provider under the Issuer Swap Agreement in respect of any payments to be made by the Issuer following an early termination of the Issuer Swap Agreement as a result of an event of default under the Issuer Swap Agreement in respect of which the Issuer Swap Provider is the defaulting party;

(viii) in or towards satisfaction of all amounts then owed or owing to the Originators under the Loan Sale Agreements on any account whatsoever *pari passu* and *pro rata*; and

(ix) any surplus to the Issuer or other persons entitled thereto,

provided that at the time a payment is proposed to be made to a Secured Party (other than the Noteholders) following an enforcement of the Issuer Security and that Secured Party is in default under any of its obligations under any of the Transaction Documents under the terms of which it is required to make any payments to the Issuer, the amount of the payment which may be made to the Secured Party shall be reduced by an amount equal to such defaulted payment.

Upon enforcement of the Issuer Security, the Issuer Security Trustee will have recourse only to the rights of the Issuer to the Loans and the Related Security and all other assets constituting the Issuer Security. Other than (a) for material breach of warranty in relation to a Loan and, in certain limited circumstances, the Related Security (as to which, for further information, see "The Loan Sale Agreements – Representations and Warranties" at page 79) and breach of other provisions specified therein, and (b) in relation to the Master Servicing Agreement and the Subscription Agreement for breach of the obligations of either Originator, the Master Servicer or the Master Special Servicer set out therein, the Issuer and/or the Issuer Security Trustee will have no recourse to either Originator, the Master Servicer or the Master Special Servicer.

The terms on which the Issuer Security will be held will provide that, upon enforcement, certain payments (including all amounts payable to any receiver, any Loan Security Trustee, the Issuer Security Trustee and the Note Trustee, all amounts due to the Master Servicer, the Master Special Servicer, the Cash Manager, the Corporate Services Provider, the Operating Bank, the Reporting Agent, all payments due to the Issuer Swap Provider under the Issuer Swap Transactions (except in relation to those described in item (vii) of the Post-Enforcement Priority of Payments) and all payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than Liquidity Subordinated Amounts) will be made in priority to payments in respect of interest and principal on the Notes. Upon enforcement of the Issuer Security, all amounts owing to the Class A Noteholders and the Class X Amounts will rank higher in priority to all amounts owing to the Class B Noteholders. All amounts owing to the Class B Noteholders will rank higher in priority to all amounts owing to the Class C Noteholders. All amounts owing to the Class C Noteholders will rank higher in priority to all amounts owing to the Class D Noteholders.

If the net proceeds of, or enforcement with respect to, the Issuer Security are not sufficient to make all payments due in respect of the Secured Liabilities (other than the Notes), the other assets (if any) of the Issuer, other than any surplus arising on the realisation of or enforcement with respect to any remaining security, will not be available for payment of any shortfall in amounts payable to the Secured Parties (other than the Noteholders) arising therefrom (which will be borne in accordance with the terms of the Deed of Charge and Assignment). All claims of such Secured Parties in respect of such shortfall, after realisation of, or enforcement with respect to, all of the Issuer Security, will be extinguished and the Issuer Security Trustee, the Note Trustee, and such Secured Parties will have no further claim against the Issuer in respect of such unpaid amounts.

Liquidity Facility

On the Closing Date, the Issuer will enter into the Liquidity Facility Agreement with the Liquidity Facility Provider and the Issuer Security Trustee, whereby the Liquidity Facility Provider will provide the Liquidity Facility to the Issuer. The "**Liquidity Facility**" will consist of a 364-day committed sterling revolving loan facility, which will be renewable as described below. The Liquidity Facility will permit drawings to be made by the Issuer of up to an initial aggregate amount of £18,500,000. However, to the extent there is a reduction in the

aggregate outstanding principal amount of the Loans from time to time, the liquidity facility commitment will be reduced by a proportionate amount at such time.

If on any Business Day the Reporting Agent determines that there will be a shortfall in the amount available to pay certain Revenue Priority Amounts due from the Issuer to a third party other than, among others, an Originator or the Master Servicer (an "**Expenses Shortfall**"), the Reporting Agent shall notify the Cash Manager. The Cash Manager may, on behalf of the Issuer, make a drawing pursuant to the Liquidity Facility Agreement on the next Business Day in an amount equal to the relevant Expenses Shortfall.

On each Calculation Date, the Reporting Agent will determine, based on information provided to it by the Master Servicer, whether an Interest Shortfall or Accrued Interest Shortfall will arise in respect of any of the Loans (which will then become a "**Shortfall Loan**") on the next following Interest Payment Date and, if so, shall notify the Cash Manager. The Cash Manager may make Interest Drawings and/or Accrued Interest Drawings, as required, on the day immediately preceding that Interest Payment Date. Each such drawing will be in an amount equal to the relevant shortfall (subject to any "Appraisal Reduction", as described at page 138) and will be credited to the Transaction Account.

An "**Interest Shortfall**" will arise in respect of a Loan on an Interest Payment Date if the Borrower Interest Receipts received in respect of such Loan during the relevant Collection Period (other than Borrower Interest Receipts comprising voluntary prepayments of interest) were less than the Scheduled Interest Receipts expected on that Loan for that Collection Period.

An "**Accrued Interest Shortfall**" will arise in respect of a Loan on an Interest Payment Date if the Borrower Interest Receipts received in respect of such Loan during a Collection Period are insufficient to cover: (a) the Scheduled Interest Receipts for that Loan in that Collection Period; plus (b) the outstanding amount of any Interest Drawings previously made in respect of that Loan; plus (c) the amount of any interest which will have accrued on outstanding Interest Drawings and Accrued Interest Drawings in respect of that Loan.

The "**Scheduled Interest Receipts**" for a Loan in a Collection Period include all payments of interest, fees (other than Prepayment Fees), breakage costs (other than Swap Breakage Receipts), expenses, commissions and other sums due and payable by the Borrower in respect of such Loan during that Collection Period (other than any payments in respect of principal). The amount of Scheduled Interest Receipts in respect of a Loan due in a Collection Period will be calculated on the assumption that each Borrower has made all prior payments under the applicable Credit Agreement when due (but taking into account, for the avoidance of doubt, any prepayment made by the Borrowers). However, if on any Interest Payment Date there are insufficient funds available under the Liquidity Facility to enable the Issuer to draw the amount it would otherwise be entitled to draw in respect of an Interest Shortfall (i.e. there is a "**Liquidity Facility Deficiency**"), the Scheduled Interest Receipts due from the Borrower during the Collection Period immediately following that Interest Payment Date will be calculated on the assumption that the Borrower Interest Receipts for the prior Collection Period were reduced by the amount of the Liquidity Facility Deficiency. Further, if a Borrower defaults in payment of the Final Redemption Funds due in respect of that Borrower's Loan, the Scheduled Interest Receipts due from such Borrower during each Collection Period after the date on which such Final Redemption Funds became due will be the amount of interest (including, without limitation, overdue interest and interest thereon), fees (other than Prepayment Fees), breakage costs (other than Swap Breakage Receipts), expenses, commissions and other sums (other than any amount of principal then payable) that the Borrower is required to pay under the applicable terms of the relevant Loan as a result of the failure to pay the Final Redemption Funds when due.

If completion of the Enforcement Procedures takes place in respect of a Shortfall Loan during a Collection Period, all outstanding Interest Drawings, Accrued Interest Drawings, drawings to cover Expenses Shortfalls and other amounts associated with that Shortfall Loan (together, the "**Liquidity Drawings**") are repayable in full on the next following Interest Payment Date, provided that all sums required to be paid in priority to those sums that have been paid in full in accordance with the Deed of Charge and Assignment.

If completion of the Enforcement Procedures does not take place in respect of a Shortfall Loan, any outstanding Liquidity Drawings will be repaid on each Interest Payment Date as follows:

(1) Interest Drawings made in respect of a particular Shortfall Loan will be repayable in an amount equal to the amount (if any) by which the Borrower Interest Receipts received in respect of such Shortfall Loan during the immediately preceding Collection Period exceed the Scheduled Interest Receipts due in respect thereof in such Collection Period (without taking into account any deemed reduction as a result of a previous Liquidity

Facility Deficiency); provided, however, that the amount repayable on any Interest Payment Date will not exceed the aggregate of all Interest Drawings then outstanding in respect of the relevant Shortfall Loan on such Interest Payment Date;

(2) Accrued Interest Drawings will be repayable on the Interest Payment Date on or following the Interest Payment Date on which all Interest Drawings relating to the same Shortfall Loan as such Accrued Interest Drawings have been repaid in full (without taking into account any deemed reduction as a result of a previous Liquidity Facility Deficiency); provided that the amount repayable on any Interest Payment Date will not exceed the aggregate of all Accrued Interest Drawings then outstanding in respect of the relevant Shortfall Loan; and

(3) Expenses Drawings are repayable in full on the Interest Payment Date immediately following the date on which they were drawn.

Appraisals and Valuations

Not later than the earliest to occur of (i) the date 120 days after the occurrence of any non-payment with respect to a Loan if such non-payment remains uncured, (ii) the date 90 days after an order is made or an effective resolution is passed for the winding up of the relevant Borrower or an administration order is granted or an administrative receiver or other receiver, liquidator or other similar official is appointed in relation to the relevant Borrower or a related Property, provided such order, resolution or appointment is still in effect, (iii) the effective date of any modification to the maturity date, interest rate, principal balance, amortisation term or payment frequency of a Loan, other than the extension of the date that a final principal payment is due for a period of less than six months, and (iv) the date 30 days following the date a Loan becomes a Specially Serviced Loan, the Master Servicer or, if has been appointed in relation to a Specially Serviced Loan, the Master Special Servicer is required to obtain an appraisal by a member of the Royal Institute of Chartered Surveyors (if the outstanding principal balance of the Loan is greater than £10,000,000) or an internal valuation (if the outstanding principal balance of the Loan is equal to or less than £10,000,000) of the relevant Property, unless such an appraisal or valuation had previously been obtained within the preceding 12 months. As a result of such appraisal or internal valuation, an "**Appraisal Reduction**" may be created, being an amount calculated as of the first Calculation Date that is at least 15 days after the date on which the appraisal or valuation is obtained or performed, equal to the excess, if any, of (a) the sum of (i) the outstanding principal balance of such Loan, (ii) all unpaid interest on such Loan, (iii) all currently due and unpaid taxes and assessments (net of any amount escrowed for such items), insurance premiums, and, if applicable, ground rents in respect of the relevant Property, over (b) 90 per cent. of the appraised value of such Property as determined by such appraisal or valuation.

An Appraisal Reduction will be reduced to zero as of the date that the relevant Loan is brought current under the then current terms of the relevant Credit Agreement for at least three consecutive months, paid in full, liquidated, repurchased or otherwise disposed of. Notwithstanding the foregoing, if an internal valuation of the relevant Property is performed, the Appraisal Reduction will equal the greater of (a) the amount calculated in the second preceding sentence, and (b) 25 per cent. of the then outstanding principal balance of the relevant Loan.

The creation of an Appraisal Reduction will proportionately reduce the amount available to be drawn by way of Interest Drawings under the Liquidity Facility Agreement.

The Liquidity Facility Agreement may be renewed until the earlier of the Maturity Date or such date the principal balance of the Loans has been reduced to zero. The Liquidity Facility Agreement will provide that if at any time the rating of the short-term, unsecured, unsubordinated and unguaranteed debt obligations of the Liquidity Facility Provider falls below the Requisite Ratings, or the Liquidity Facility Provider refuses to renew the Liquidity Facility Agreement, then the Issuer will require the Liquidity Facility Provider to pay into the Stand-by Account an amount (a "**Stand-by Drawing**") equal to its undrawn commitment under the Liquidity Facility Agreement. In the event that the Cash Manager makes a Stand-by Drawing, the Cash Manager is required prior to the expenditure of the proceeds of such drawing as described above, to invest such funds in Eligible Investments.

Amounts standing to the credit of the Stand-by Account will be available to the Issuer for drawing in respect of an Interest Drawing, an Accrued Interest Drawing or an Expenses Drawing, as described above, and otherwise in the circumstances provided in the Liquidity Facility Agreement. Following enforcement of the

Issuer Security, all funds standing to the credit of the Stand-by Account will be repaid to the Liquidity Facility Provider.

All payments due to the Liquidity Facility Provider under the Liquidity Facility Agreement (other than in respect of any amounts due thereunder which are described in item (viii) of "Summary – Available Funds and their Priority of Application – Payments out of Transaction Account prior to Enforcement of the Notes – Available Interest Receipts" at page 28) will rank higher in priority to payments of interest on, and repayments of principal of, the Notes.

The Issuer Swap Agreement

On or before the Closing Date, the Issuer will enter into the Issuer Swap Agreement with the Issuer Swap Provider and the Issuer Swap Transactions pursuant thereto (each as described below). The obligations of the Issuer Swap Provider under the Issuer Swap Agreement will be guaranteed by the Issuer Swap Guarantor.

Pursuant to the Issuer Swap Agreement, the Issuer will enter into the Interest Rate Swap Transactions with the Issuer Swap Provider in order to protect itself against interest rate risk arising in respect of the Loans.

Under the terms of each Interest Rate Swap Transaction, the Issuer will pay to the Issuer Swap Provider on each Interest Payment Date an amount equal to the excess (if any) of an amount determined by reference to the fixed rate payments payable by the Borrowers under the MS Loans during the relevant Collection Period ("X") over an amount determined by reference to three-month sterling LIBOR ("Y") and the Issuer Swap Provider will pay to the Issuer an amount equal to the excess (if any) of Y over X.

Pursuant to the Issuer Swap Agreement, the Issuer will also enter into a Basis Swap Transaction with the Issuer Swap Provider in order to protect itself against basis risk arising in respect of the Lloyds Building Loan.

Under the terms of the Basis Swap Transaction, the Issuer will pay to the Issuer Swap Provider on each Interest Payment Date an amount equal to the excess (if any) of an amount determined by reference to the floating rate payments payable by the Borrower under the Lloyds Building Loan during the relevant Collection Period ("A") over an amount determined by reference to three-month sterling LIBOR ("B") and the Issuer Swap Provider will pay to the Issuer an amount equal to the excess (if any) of B over A.

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

Subject to the following, the Issuer Swap Provider and the Issuer Swap Guarantor are only obliged to make payments under the Issuer Swap Transactions to the extent that the Issuer makes the corresponding payments thereunder. Furthermore, a failure by the Issuer to make timely payment of amounts due from it under the Issuer Swap Transactions will constitute a default thereunder and entitle the Issuer Swap Provider to terminate the Issuer Swap Transactions.

The Issuer Swap Provider will be obliged to make payments under the Issuer Swap Agreement without any withholding or deduction of taxes unless required by law. If any such withholding or deduction is required by law, the Issuer Swap Provider will be required to pay such additional amount as is necessary to ensure that the net amount actually received by the Issuer will equal the full amount the Issuer would have received had no such withholding or deduction been required or, if such withholding or deduction is a withholding or deduction which will or would be or become the subject of any tax credit, allowance, set-off, repayment or refund to the Issuer Swap Provider, the Issuer shall use all reasonable endeavours to reach agreement to mitigate the incidence of tax on the Issuer Swap Provider. The Issuer is similarly obliged to make payments under the Issuer Swap Agreement without any withholding or deduction of taxes unless required by law and is similarly obliged to pay additional amounts and the relevant Issuer Swap Provider is similarly obliged to use reasonable endeavours to reach agreement to mitigate the incidence of tax on the Issuer. Such additional amounts will be payable in priority to amounts payable on the Notes.

The Issuer Swap Agreement will provide, however, that if due to action taken by a relevant taxing authority, action brought in a court of competent jurisdiction or any change in tax law, either the Issuer or the Issuer Swap Provider will, or there is a substantial likelihood that it will, on the next Interest Payment Date, be required to pay additional amounts in respect of tax under the Issuer Swap Agreement or will, or there is a substantial likelihood that it will, receive payment from the other party from which an amount is required to be

deducted or withheld for or on account of tax (a "**Swap Tax Event**"), the Issuer Swap Provider will use its reasonable efforts to transfer its rights and obligations to another of its offices, branches or affiliates or a suitably rated third party to avoid the relevant Swap Tax Event. If no such transfer can be effected, the Issuer Swap Agreement and the Issuer Swap Transactions may be terminated. If the Issuer Swap Agreement is terminated and the Issuer is unable to find a replacement Issuer Swap Provider (the Issuer being obliged to use its best endeavours to find a replacement Issuer Swap Provider) and the Issuer cannot avoid such Swap Tax Event by taking reasonable measures available to it and the Issuer has certified that it has sufficient funds to discharge all of its liabilities in respect of the Notes and any amounts due under the Deed of Charge and Assignment, then the Issuer shall redeem all of the Notes in full. Such redemption will be made by the Issuer to the extent of an amount equal to the then aggregate Principal Amount Outstanding of each class of Notes then outstanding plus interest accrued and unpaid thereon. For further information, see Condition 5(*d*) at page 155. The Issuer Swap Agreement will contain certain other limited termination events and events of default which will entitle either party to terminate the Issuer Swap Agreement. In the event that an MS Loan is repurchased by the MS Loan Originator pursuant to the MS Loan Sale Agreement or purchased by the Master Servicer pursuant to the Master Servicing Agreement, the Interest Rate Swap Transactions will not be terminated, but the rights and obligations of the Issuer under the Interest Rate Swap Transactions will, in accordance with the terms of the Issuer Swap Agreement, be novated to the MS Loan Originator or the Master Servicer, as the case may be. In the event that the Lloyds Building Loan is repurchased by the HRE Loan Originator pursuant to the HRE Loan Sale Agreement or purchased by the Master Servicer pursuant to the Master Servicing Agreement, the Basis Swap Transaction will be terminated. In such circumstances no early termination payment will be due and payable by either party to the other.

The Issuer Swap Provider may, at its own discretion and at its own expense, assign its rights or novate its rights and obligations under the Issuer Swap Agreement (including the Issuer Swap Transactions) to any third party provided the Rating Agencies have confirmed in writing that such transfer would not cause a downgrading of the then applicable ratings of the Notes and provided further that such third party agrees to be bound by, among other things, the terms of the Deed of Charge and Assignment, on substantially the same terms as the Issuer Swap Provider.

The Issuer Swap Guarantee

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

Issuer Swap Guarantor Downgrade Event

If the rating of the short-term, unsecured, unsubordinated debt obligations of the Issuer Swap Guarantor falls below "F1" by Fitch or "A-1" by S&P at any time, then the Issuer Swap Provider will be required to comply with the requirements set out in the Issuer Swap Agreement which may require the delivery to the Issuer of collateral (which collateral may be in the form of cash or securities) in respect of its obligations under the Issuer Swap Agreement in an amount or value determined in accordance with the terms of the Issuer Swap Agreement Credit Support Document.

Issuer Swap Agreement Credit Support Document

If at any time the Issuer Swap Provider is required to provide collateral in respect of any of its obligations under the Issuer Swap Agreement it will also do so under the terms of the 1995 ISDA Credit Support Annex (Bilateral Form – Transfer) entered into on or prior to the Closing Date between the Issuer and the Issuer Swap Provider (the "**Issuer Swap Agreement Credit Support Document**"). The Issuer Swap Agreement Credit Support Document will provide that, from time to time, subject to the conditions specified in the Issuer Swap Agreement Credit Support Document, the Issuer Swap Provider will make transfers of collateral to the Issuer in support of its obligations under the Issuer Swap Agreement and the Issuer will be obliged to return such collateral in accordance with the terms of the Issuer Swap Agreement Credit Support Document.

Collateral amounts that may be required to be posted by the Issuer Swap Provider pursuant to the Issuer Swap Agreement Credit Support Document may be delivered in the form of cash or securities (as agreed with the Rating Agencies). Cash amounts will be paid into the Swap Collateral Cash Account and securities will be transferred to the Swap Collateral Custody Account.

Amounts equal to any amounts of interest on the credit balance of the Swap Collateral Cash Account, or equivalent to distributions received on securities held in the Swap Collateral Custody Account, are required to be paid to the Issuer Swap Provider in accordance with the terms of the Issuer Swap Agreement Credit Support Document and the Deed of Charge and Assignment in priority to any other payment obligations of the Issuer, other than to the Issuer Security Trustee, the Note Trustee and for a receiver following the enforcement of the Notes. The obligation of the Issuer in respect of any return of securities posted as collateral pursuant to the Issuer Swap Agreement Credit Support Document is to return collateral of the same type, nominal value, description and amount as the collateral posted to the Issuer by the Issuer Swap Provider.

ESTIMATED AVERAGE LIVES OF THE NOTES AND ASSUMPTIONS

The average lives of the Notes cannot be predicted as the actual rate at which Loans will be repaid or prepaid and a number of other relevant factors are unknown.

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

(a) no Loans are repurchased by an Originator;

(b) no Loans default or are enforced and no loss arises;

(c) the Issuer Swap Agreement will not be terminated;

(d) any scheduled amortisation occurring between the Cut-Off Date and the Closing Date has already taken place prior to the Closing Date;

(e) no Loan prepays;

(f) no modification, waiver or amendment is made regarding any payment of interest on, any repayment of principal of, or the term of any of the Loans;

(g) the Issuer purchases each Loan on the Closing Date; and

(h) the Closing Date is on or about 2nd August, 2005,

then the approximate percentage of the initial principal amount outstanding of the Notes on each Interest Payment Date (after payment has been made on such date) and the approximate average lives of the Notes would be as follows:

Payment	Class A Notes	Class B Notes	Class C Notes	Class D Notes
Closing Date	100.0%	100.0%	100.0%	100.0%
October 2005	100.0%	100.0%	100.0%	100.0%
January 2006	100.0%	100.0%	100.0%	99.9%
April 2006	99.9%	99.9%	99.9%	99.9%
July 2006	99.9%	99.9%	99.9%	99.8%
October 2006	99.9%	99.9%	99.9%	99.7%
January 2007	99.9%	99.9%	99.9%	99.7%
April 2007	99.8%	99.8%	99.8%	99.6%
July 2007	99.8%	99.8%	99.8%	99.6%
October 2007	99.8%	99.8%	99.8%	99.5%
January 2008	99.8%	99.8%	99.8%	99.5%
April 2008	99.8%	99.8%	99.8%	99.5%
July 2008	99.7%	99.8%	99.8%	99.5%
October 2008	99.7%	99.7%	99.8 %	99.4%
January 2009	99.7%	99.7%	99.7%	99.4%
April 2009	99.7%	99.7%	99.7%	99.3%
July 2009	99.6%	99.7%	99.7%	99.2%
October 2009	99.6%	99.6%	99.7%	99.2%
January 2010	88.7%	89.9%	90.4%	76.8%
April 2010	80.4%	81.8%	83.7%	69.9%
July 2010	80.4%	81.8%	83.7%	69.8%
October 2010	69.2%	70.7%	74.7%	64.1%
January 2011	69.2%	70.7 %	74.7%	64.1%
April 2011	67.7%	69.3%	73.4%	60.9%
July 2011	67.7%	69.3%	73.4%	60.9%
October 2011	67.7%	69.3%	73.4%	60.9%
January 2012	67.7%	69.3%	73.4%	60.9%
April 2012	0.0%	0.0%	0.0%	0.0%
Average Life (years)	6.1	6.2	6.2	6.0
First Principal Payment Date	October 2005	October 2005	October 2005	October 2005
Last Principal Payment Date	April 2012	April 2012	April 2012	April 2012

DESCRIPTION OF THE NOTES

Form, Denomination and Transfer

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or the securities laws of any state of the United States or any other relevant jurisdiction. For certain restrictions on resales, see "Transfer Restrictions" on page 190.

Each Note is being offered either outside the United States in reliance on Regulation S to non-U.S. Persons in offshore transactions (as defined in Regulation S) or within the United States in reliance on Rule 144A only to Qualified Institutional Buyers that are also Qualified Purchasers.

Notes sold to persons who are Qualified Purchasers who are also Qualified Institutional Buyers in reliance on Rule 144A will be represented by one or more permanent global notes in fully registered form without interest coupons (each such global note in relation to a class of those notes being a "**Rule 144A Global Note**").

Notes sold to non-U.S. Persons outside the United States in reliance on Regulation S will be represented by one or more permanent global notes in fully registered form without interest coupons (each such global note in relation to a class of those Notes being a "**Reg S Global Note**").

The Rule 144A Global Notes together with the Reg S Global Notes are the "**Global Notes**". Save in certain limited circumstances, Notes in definitive form will not be issued in exchange for the Global Notes (see "Issue of Notes in Definitive Form" below). The Trust Deed will include the form of the Global Notes and the Definitive Notes.

The Rule 144A Notes will be issued in denominations of at least £250,000 and integral multiples of £100 thereafter. The Reg S Notes will be issued in denominations of at least £100,000 and integral multiples of £100 thereafter. Each holding of Notes must be an integral multiple of £100 and for not less than the relevant minimum denomination.

Each Rule 144A Global Note will be deposited with The Bank of New York as custodian for The Depository Trust Company ("**DTC**") and registered in the name of DTC or its nominee on the Closing Date.

Each Reg S Global Note will be deposited with, and registered in the name of, or a nominee of, The Bank of New York, London Branch as common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**" and together with Euroclear and DTC, the "**Clearing Systems**") on the Closing Date.

Information regarding DTC, Euroclear and Clearstream Luxembourg

DTC

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organised under the Banking Law of the State of New York, a member of the United States Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the United States Securities Exchange Act of 1934, as amended (the "**Exchange Act**"). DTC was created to hold securities of its participants and to facilitate the clearance and settlement of transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. DTC participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations, some of whom (and/or their representatives) own DTC.

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg have advised the Issuer as follows: Euroclear and Clearstream, Luxembourg each hold securities for their account holders and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risk from lack of simultaneous transfers of

securities. Euroclear and Clearstream, Luxembourg each provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deal with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective account holders may settle trades with each other. Account holders in both Euroclear and Clearstream, Luxembourg are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system. An account holder's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under such rules and operating procedures only on behalf of their respective account holders, and have no record of or relationship with persons holding through their respective account holders.

Notices to Noteholders may be made to the Clearing System

Any notice to Noteholders in respect of Notes represented by Global Notes shall be deemed to have been duly given if sent to DTC, Euroclear and/or Clearstream, Luxembourg (as applicable) and shall be deemed to have been given on the date on which such notice was so sent.

Clearance and settlement of transfers of interests in Global Notes

Title to the Global Notes and, if issued, any Definitive Notes (see "Issue of Notes in Definitive Form" below) will pass by transfer and registration as described in Condition 1 at page 149. Restrictions on the offer, sale, purchase, resale, pledge or transfer of Notes are described in "Transfer Restrictions" at page 190.

Holding of beneficial interests in Global Notes

Ownership of beneficial interests in the Global Notes will be limited to persons that have accounts with a Clearing System ("**Participants**") or persons that hold interests in the Global Notes through participants ("**Indirect Participants**"), including, as applicable, banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearing System, either directly or indirectly. Indirect Participants shall also include persons that hold beneficial interests through such Indirect Participants. Euroclear, Clearstream, Luxembourg and DTC, as applicable, will credit the participants' accounts with the respective amount of Notes beneficially owned by such participants on each of their respective book-entry registration and transfer systems.

Investors may hold beneficial interests in respect of a Rule 144A Global Note directly through DTC (if they are Participants in such system), or indirectly through organisations which are Participants in such system. All beneficial interests in a Rule 144A Global Note will be subject to the procedures and requirements of DTC.

Investors may hold beneficial interests in respect of a Reg S Global Note directly through Euroclear or Clearstream, Luxembourg, if they are Participants, or indirectly through organisations which are account holders in such systems. Beneficial interests in a Reg S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. Euroclear and Clearstream, Luxembourg will hold beneficial interests in each Reg S Global Note on behalf of their account holders through securities accounts in the respective account holders' name on Euroclear's and Clearstream, Luxembourg's respective book-entry registration and transfer system. Beneficial interests in a Reg S Global Note may not be held by a "U.S. Person" (as defined in Regulation S under the Securities Act) at any time. By its acquisition of a beneficial interest in a Reg S Global Note, the purchaser thereof will be deemed to represent that it is not a U.S. Person and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest only to a person whom the seller reasonably believes to be a non-U.S. Person or, subject to compliance with the transfer restrictions and certification requirements in the Indenture, to a person who takes delivery in the form of an interest in a Rule 144A Global Note.

Beneficial interests in the Global Notes will be shown on, and transfers of book-entry interests or the interest therein will be effected only through, records maintained by Euroclear, Clearstream, Luxembourg or DTC (with respect to the interests of their Participants) and on the records of Participants or Indirect Participants (with respect to the interests of their Indirect Participants).

Except as described below under "Issue of Notes in Definitive Form" below, Participants or Indirect Participants in a Clearing System will not be entitled to have Notes registered in their names, will not receive or be entitled to receive physical delivery of Notes in definitive form and will not be considered the holders thereof under the Trust Deed or the Notes. Such Participants or Indirect Participants in a Clearing System will have no rights under the Trust Deed with respect to the Reg S Global Notes and the Rule 144A Global Notes held on their behalf by the Custodian (with respect to the Rule 144A Global Notes) and by the Common Depositary for Euroclear and Clearstream, Luxembourg (with respect to the Reg S Global Notes), and DTC (with respect to the Rule 144A Global Notes) and the Common Depositary for Euroclear and Clearstream, Luxembourg (with respect to the Reg S Global Notes) may be treated by the Issuer, the Note Trustee and any agent of the Issuer or the Note Trustee as the holder of such Reg S Global Notes or Rule 144A Global Notes, as the case may be, for all purposes whatsoever. Accordingly, each person holding a beneficial interest in the Global Notes must rely on the rules and procedures of Euroclear, Clearstream, Luxembourg or DTC, as the case may be, and Indirect Participants must rely on the procedures of the Participants or Indirect Participants through which such person owns its interest in the relevant Global Notes, to exercise any rights and obligations of a holder of Notes under the Trust Deed.

The Issuer understands that, under existing industry practices, if either the Issuer or the Note Trustee requests any action of owners of beneficial interests in Global Notes or if an owner of a beneficial interest in a Global Note desires to give instructions or take any action that a holder is entitled to give or take under the Trust Deed, Euroclear, Clearstream, Luxembourg or DTC, as the case may be, would authorise the Participants owning the relevant beneficial interest in the Global Note to give instructions or take such action, and such Participants would authorise Indirect Participants to give or take such action or would otherwise act upon the instructions of such Indirect Participants.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes (including, without limitation, the presentation of Rule 144A Global Notes for exchange) only at the direction of a Participant in DTC to whose account with DTC interests in the relevant Rule 144A Global Note are credited and only in respect of such portion of the aggregate principal amount of the Notes as to which that Participant in DTC has given such direction.

Procedures applicable to transfers of beneficial interests in Global Notes

For so long as a Note is represented by a Global Note, permitted transfers of such Note and beneficial interests in that Note will be effected in accordance with the rules and procedures for the time being of Euroclear, Clearstream, Luxembourg or DTC, as appropriate.

Transfers between Participants in DTC will be effected in the ordinary way in accordance with DTC's rules and will be settled in immediately available funds. Subject to compliance with the transfer restrictions applicable to Notes under "Transfer Restrictions" on page 190, cross-market transfers between DTC, on the one hand, and, directly or indirectly through Euroclear or Clearstream, Luxembourg, or their respective participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of Euroclear or Clearstream, Luxembourg, as the case may be; however, these cross-market transactions will require delivery of instructions to Euroclear or Clearstream, Luxembourg, as the case may be, by the counterparty in the system in accordance with its rules and procedures and within its established deadlines (Brussels time). Euroclear or Clearstream, Luxembourg, as the case may be, will, if the transaction meets its settlement requirements, deliver instructions to the Common Depositary to take action to effect final settlement on its behalf by delivering or receiving interest in a Reg S Global Note in DTC, and making or receiving payment in accordance with normal procedures for immediately available funds settlement applicable to DTC. Participants in Euroclear or Clearstream, Luxembourg may not deliver instructions directly to the Common Depositary.

Because of time zone differences, the securities account of a participant in Euroclear or Clearstream, Luxembourg purchasing an interest in a Global Note from a participant in DTC will be credited during the securities settlement processing day (which must be a business day for Euroclear and Clearstream, Luxembourg) immediately following the DTC settlement date and the credit of any transaction in interests in a Global Note settled during the processing day will be reported to the relevant participant in Euroclear or Clearstream, Luxembourg, as the case may be, on that day. Cash received by Euroclear or Clearstream, Luxembourg as a result of sale of interests in a Global Note by or through a participant in Euroclear or Clearstream, Luxembourg to a participant in DTC will be received with value on the DTC settlement date but will be available in the relevant Euroclear or Clearstream, Luxembourg cash account only as of the business day following settlement in DTC.

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to certain procedures to facilitate transfers of beneficial interests in the Global Notes among participants of DTC and account holders of Euroclear and Clearstream, Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Note Trustee or any of their respective agents will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or account holders of their respective obligations under the rules and procedures governing their operations.

No service charge will be made for any registration of transfer or exchange of Notes of any class, but the Issuer and the Note Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

In addition, there are restrictions on the distribution of this Prospectus and the offer, sale and delivery of the Notes in the United Kingdom.

Procedures for payments in respect of the Notes

Payments in respect of the Global Notes

Each payment of principal and interest in respect of the Notes shall be made in accordance with the Agency Agreement. Principal and interest on each Note represented by a Global Note will be payable to the registered owner of that Global Note and such registered owner will be the only person entitled to receive payments in respect of that Note and the Issuer will be discharged by payment to, or to the order of the registered owner of that Global Note in respect of each amount so paid. No person other than the registered owner of the Global Notes representing a Note shall have any claim against the Issuer in respect of any payment due on that Note.

While a Note is represented by a Global Note, each payment in respect of that Note will be made via the Paying Agents to the relevant Holder (as defined in Condition 1(*c*) at page 149) (or its nominee) of that Global Note.

The Issuer expects that in accordance with the rules and procedures for the time being of Euroclear or, as the case may be, Clearstream, Luxembourg, after receipt of any payment in respect of a Reg S Global Note held by the Common Depositary for Euroclear and Clearstream, Luxembourg, the respective systems will, in accordance with their roles and procedures, promptly credit their participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Reg S Global Note as shown in the records of Euroclear or of Clearstream, Luxembourg. The Issuer expects that in the case of DTC, upon receipt of any payment in respect of the Rule 144A Note held by DTC or its nominee, DTC or its nominee will, in accordance with its rules and procedures, promptly credit its participants' accounts with payments in amounts proportionate to their respective beneficial interests in such Rule 144A Global Note as shown on the records of DTC or its nominee. None of the Issuer, the Note Trustee, any Manager, any Paying Agent and any of their respective agents will have any responsibility or liability for any aspect of the records of the Clearing Systems relating to or payments or credits made by the Clearing Systems on account of beneficial interests in the Global Notes or for maintaining, supervising or reviewing any records of the Clearing Systems relating to those beneficial interests.

The Issuer also expects that payments by participants to owners of beneficial interests in a Global Note held through such participants or indirect participants will be governed by standing customer instructions and customary practices, as is now the case with the securities held for the accounts of customers registered in "street name" or in the names of nominees for such customers. Such payments will be the responsibility of such participants or indirect participants. None of the Issuer, the Note Trustee, any Manager, any Paying Agent and any of their respective agents will have any responsibility or liability for any aspect of the records relating to or payments made on account of a participant's ownership of beneficial interests in such Global Notes or for maintaining, supervising or reviewing any records relating to a participant's ownership of beneficial interests in such Global Notes.

A record of each payment made on a Global Note, distinguishing between any payment of principal and/or payment of interest, will be recorded in the Register in respect of such Global Note by the Registrar and such record shall be *prima facie* evidence that the payment in question has been made.

DTC is unable to accept payments denominated in sterling. Accordingly, holders of beneficial interests in Rule 144A Global Notes who wish to receive payments in sterling must notify the Registrar 15 days prior to the relevant Interest Payment Date with respect to any payment that they wish to be paid in sterling and of the relevant bank account details into which such sterling payments are to be made.

If such instructions are not received by the Registrar, The Bank of New York will, as exchange agent (the "**Exchange Agent**") of the Issuer pursuant to an exchange rate agency agreement dated on or about the Closing Date (the "**Exchange Rate Agency Agreement**") between the Exchange Agent, the Custodian, the Note Trustee, the Issuer Security Trustee and the Issuer, exchange the relevant sterling amounts into dollars at the exchange rate determined in accordance with quotations from foreign exchange dealers and the relevant holders of beneficial interests in the Rule 144A Global Notes will receive the dollar equivalent of such sterling payment converted at such exchange rate.

Issue of Notes in Definitive Form

If (i) in the case of a Reg S Global Note, either Euroclear or Clearstream, Luxembourg is closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or announces an intention permanently to cease business; or (ii) in the case of a Rule 144A Global Note, DTC has notified the Issuer that it is at any time unwilling or unable to continue as the holder with respect to that Rule 144A Global Note, or is at any time unwilling or unable to continue as, or ceases to be a "clearing agency" (as defined in the Exchange Act) registered under the Exchange Act and a successor to DTC registered as such a clearing agency is not appointed by the Issuer within 90 days of such notification or cessation; or (iii) as a result of any amendment to, or change in, the laws or regulations of the United Kingdom (or of any political sub-division thereof) or of any authority therein or thereof having power to tax or in the interpretation by a revenue authority or a court of, or in the administration of, such laws or regulations which become effective on or after the Closing Date, the Issuer or any Paying Agent is or will be required to make any deduction or withholding from any payment in respect of a Note which would not be required were that Note in definitive physical registered form, then the Issuer will (at the Issuer's expense) issue Notes in definitive physical registered form (each a "**Definitive Note**") in exchange for the whole outstanding interest in the relevant Reg S Global Note (in the case of (i) or (iii) above) or the relevant Rule 144A Global Note (in the case of (ii) or (iii) above) within 30 days of the occurrence of the relevant event but in any event not prior to the expiry of the Distribution Compliance Period.

TERMS AND CONDITIONS OF THE NOTES

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

The £286,900,000 Class A Commercial Mortgage Backed Floating Rate Notes due 2014 (the "**Class A Notes**"), the £20,000,000 Class B Commercial Mortgage Backed Floating Rate Notes due 2014 (the "**Class B Notes**"), the £25,200,000 Class C Commercial Mortgage Backed Floating Rate Notes due 2014 (the "**Class C Notes**") and the £15,658,000 Class D Commercial Mortgage Backed Floating Rate Notes due 2014 (the "**Class D Notes**" and, together with the Class A Notes, the Class B Notes and the Class C Notes, the "**Notes**") of European Prime Real Estate No. 1 plc (the "**Issuer**") are constituted by a trust deed dated on or about 2nd August, 2005 (the "**Closing Date**") (the "**Trust Deed**", which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between the Issuer and Capita Trust Company Limited (the "**Note Trustee**", which expression includes its successors or any further or other note trustee under the Trust Deed). Any reference to a "**class of Notes**" or of Noteholders shall be a reference to any, or all of, the respective Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes; or any or all of their respective holders, as the case may be.

The security for the Notes is created pursuant to, and on terms set out in, a deed of charge and assignment dated on or about the Closing Date (the "**Deed of Charge and Assignment**", which expression includes such deed of charge and assignment as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer, the Note Trustee and Capita Trust Company Limited (in such capacity, the "**Issuer Security Trustee**"). By an agency agreement dated on or about the Closing Date (the "**Agency Agreement**", which expression includes such agency agreement as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and made between, among others, the Issuer, the Note Trustee, the Issuer Security Trustee, The Bank of New York, London Branch in its separate capacities under the same agreement as principal paying agent (the "**Principal Paying Agent**", which expression shall include any other principal paying agent appointed in respect of the Notes) and agent bank (the "**Agent Bank**", which expression shall include any other agent bank appointed in respect of the Notes), AIB/BNY Fund Management (Ireland) Ltd. as paying agent in Ireland (the "**Sub-Paying Agent**", which expression shall include any other paying agent appointed in Ireland in respect of the Notes), the Bank of New York (acting out of New York) as registrar (the "**Registrar**", which expression shall include any other registrar appointed in respect of the Notes) (the Principal Paying Agent together with any further or other paying agents for the time being appointed in respect of the Notes, being the "**Paying Agents**" and, together with the Agent Bank and the Registrar, the "**Agents**"), provision is made for, among other things, the payment of principal and interest in respect of the Notes.

The statements in these Terms and Conditions (the "**Conditions**" and any reference to a "**Condition**" shall be construed accordingly) include summaries of, and are subject to, the detailed provisions of the Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the Exchange Rate Agency Agreement and the Master Definitions Schedule (each as defined herein). Copies of the Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the Exchange Rate Agency Agreement and the Master Definitions Schedule (each as defined herein) are available for inspection by the Noteholders at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of and definitions contained in the Trust Deed, the Agency Agreement, the Deed of Charge and Assignment, the exchange rate agency agreement dated on or about the Closing Date, between the Issuer, The Bank of New York, London Branch, in its capacity as exchange agent (the "**Exchange Agent**", which expression shall include any other exchange agent appointed in respect of the Notes), the Note Trustee and the Issuer Security Trustee (the "**Exchange Rate Agency Agreement**", which expression includes such exchange rate agency agreement as from time to time so modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and a master definitions schedule dated on or about the Closing Date, and signed for identification purposes by, among others, the Issuer, the Note Trustee and the Issuer Security Trustee (the "**Master Definitions Schedule**", which expression includes such master definitions schedule as from time to time modified in accordance with the provisions therein contained and any agreement, deed or other document expressed to be supplemental thereto as from time to time so modified) and the documents referred to in each of them.

1. Global Notes

(a) Rule 144A Global Notes

The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes initially offered and sold in the United States of America (the "**United States**") to "qualified institutional buyers" ("**Qualified Institutional Buyers**") (as defined in Rule 144A ("**Rule 144A**") under the United States Securities Act of 1933, as amended, (the "**Securities Act**"), in reliance on Rule 144A, that are also "qualified purchasers" (as defined in Section 2(a) (51) of the Investment Company Act of 1940 "**Qualified Purchasers**") will be represented by one or more permanent global notes in fully registered form without interest coupons for each class of Note (collectively, the "**Rule 144A Global Notes**"). Each Rule 114A Global Note will be deposited with The Bank of New York as custodian (the "**Custodian**") for the Depository Trust Company ("**DTC**") and registered in the name of DTC or its nominee on the Closing Date.

(b) Reg S Global Notes

The Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes initially offered and sold outside the United States to non-U.S. persons in reliance on Regulation S under the Securities Act ("**Reg S**") will be represented by one or more permanent global notes in fully registered form without interest coupons for each class of Note (collectively, the "**Reg S Global Notes**" and, together with the Rule 144A Global Notes, the "**Global Notes**"). Each Reg S Global Note will be deposited with, and registered in the name of, or a nominee of The Bank of New York, London Branch as common depositary (the "**Common Depositary**") for Euroclear Bank S.A./N.V., as operator of the Euroclear System ("**Euroclear**") and Clearstream Banking, société anonyme, Luxembourg ("**Clearstream, Luxembourg**" and together with Euroclear and DTC, the "**Clearing Systems**") on or about the Closing Date.

(c) Title to the Notes

The Issuer will cause to be kept at the specified office of the Registrar a register (the "**Register**") on which shall be entered the names and addresses of the holders of the Notes and the particulars of such Notes held by them and all transfers and redemptions of such Notes. In these Conditions, the "**Holder**" of a Note at any time means the person in whose name such Note is registered at that time in the Register (or, in the case of a joint holding, the first named person).

In relation to each Note, the Holder will, to the fullest extent permitted by applicable law, be deemed and treated at all times, by all persons and for all purposes (including the making of payments), as the absolute owner of such Note regardless of any notice to the contrary, any notice of ownership, theft or loss, or of any trust or other interest in that Note or of any writing on that Note (other than the endorsed form of transfer).

No transfer of a Note will be valid unless and until entered on the Register. Transfers and exchanges of beneficial interests in the Global Notes and entries on the Register relating to the Notes will be made subject to any restrictions on transfers set forth on such Notes and the detailed regulations concerning transfers of such Notes contained in the Agency Agreement, the Trust Deed and the relevant legends appearing on the face of the Notes (such regulations and legends being the "**Transfer Regulations**"). Each transfer or purported transfer of a beneficial interest in a Global Note or a Definitive Note made in violation of the Transfer Regulations shall be void *ab initio* and will not be honoured by the Issuer or the Note Trustee. The Transfer Regulations may be changed by the Issuer with the prior written approval of the Note Trustee and the Registrar. A copy of the current Transfer Regulations will be sent by the Registrar to any Holder of a Note who so requests and by the Principal Paying Agent to any Holder of a Note who so requests.

For so long as any Note is represented by a Global Note, transfers and exchanges of beneficial interests in that Global Note and entitlement to payments under that Global Note will be effected in accordance with the rules and procedures from time to time of the DTC, in the case of the Rule 144A Global Notes, and Euroclear and/or Clearstream, Luxembourg in the case of the Reg S Global Notes.

Beneficial interests in a Reg S Global Note may be held only through Euroclear or Clearstream Luxembourg at any time. Prior to the expiry of the Distribution Compliance Period (as defined in the Master Definitions Schedule) beneficial interests in a Reg S Global Note may not be held by a "**U.S. Person**" (as defined in Regulation S under the Securities Act). Beneficial interests in a Global Rule 144A Note may be held only through DTC at any time.

(d) Denomination of the Notes

The Rule 144A Notes will be issued in minimum denominations of £250,000. The Reg S Notes will be issued in minimum denominations of £100,000. Each holding of Notes must be an integral multiple of £100 thereafter.

(e) Issue of Definitive Notes

The beneficial interests represented by the Global Notes will be exchanged for definitive Notes of the relevant class in registered form ("**Definitive Notes**") only upon the occurrence of certain limited circumstances specified in the Trust Deed. Upon such exchange the aggregate principal amount of the Definitive Notes shall be equal to the Principal Amount Outstanding of the Notes at the date on which notice of exchange is given of the corresponding Global Note subject to and in accordance with the detailed provisions of these Conditions, the Agency Agreement, the Trust Deed and the relevant Global Note. If issued, Definitive Notes will be in the relevant denominations set out above, will be serially numbered and will be issued in registered form only.

2. Status, Security and Priority

(A) Status and relationship between the Notes

(a) The Notes constitute direct, secured and unconditional obligations of the Issuer and are secured by the Issuer Security (as defined in the Master Definitions Schedule). The Notes of each class rank *pari passu* without preference or priority among the other Notes of such class.

(b) In the event of the Issuer Security being enforced, the Class A Notes will rank higher in priority to the Class B Notes, the Class C Notes and the Class D Notes; the Class B Notes will rank higher in priority to the Class C Notes and the Class D Notes, and the Class C Notes will rank higher in priority to the Class D Notes. Save as described in Condition 5, prior to enforcement of the Issuer Security, repayments of principal of, and payments of interest on, the Class D Notes will be subordinated to repayments of principal of, and payments of interest on, the Class A Notes, the Class B Notes and the Class C Notes; repayments of principal of, and payments of interest on, the Class C Notes will be subordinated to repayments of principal of, and payments of interest on, the Class A Notes and the Class B Notes; repayments of principal of, and payments of interest on, the Class B Notes will be subordinated to repayments of principal of, and payments of interest on, the Class A Notes.

(c) The Trust Deed contains provisions requiring the Note Trustee to have regard to the interests of the holders of the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes equally as regards all powers, trusts, authorities, duties and discretions of the Note Trustee (except where expressly provided otherwise including, without limitation, as provided in Condition 11), provided that:

(i) if, in the Note Trustee's opinion, there is a conflict between the interests of:

(A) holders of the Class A Notes (the "**Class A Noteholders**") (for so long as the Class A Notes are outstanding (as defined in the Trust Deed)); and

(B) holders of the Class B Notes (the "**Class B Noteholders**") and/or holders of the Class C Notes (the "**Class C Noteholders**") and/or holders of the Class D Notes (the "**Class D Noteholders**"),

then the Note Trustee shall have regard only to the interests of the Class A Noteholders;

(ii) if, in the Note Trustee's opinion, there is a conflict between the interests of:

(A) the Class B Noteholders (for so long as the Class B Notes are outstanding as defined in the Trust Deed); and

(B) the Class C Noteholders and/or the Class D Noteholders,

then the Note Trustee shall, subject to (i) above, have regard only to the interests of the Class B Noteholders; and

(iii) if, in the Note Trustee's opinion, there is a conflict between the interests of:

(A) the Class C Noteholders (for so long as the Class C Notes are outstanding as defined in the Trust Deed); and

(B) the Class D Noteholders,

then the Note Trustee shall, subject to (i) and (ii) above, have regard only to the interests of the Class C Noteholders.

Except where expressly provided otherwise, 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 Issuer Security.

(d) The Trust Deed contains provisions limiting the powers of (i) the Class B Noteholders, among other things, 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, (ii) the Class C Noteholders, among other things, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders and/or the Class B Noteholders and (iii) the Class D Noteholders, among other things, to request or direct the Note Trustee to take any action or to pass an effective Extraordinary Resolution according to the effect thereof on the interests of the Class A Noteholders and/or the Class B Noteholders and/or the Class C Noteholders. Except in certain circumstances, the Trust Deed contains no such limitation on the powers of the Class A Noteholders, the exercise of which powers will be binding on the Class B Noteholders and/or the Class C Noteholders and/or the Class D Noteholders irrespective of the effect thereof on their interests.

Except in certain circumstances, the exercise of powers by the Class B Noteholders will be binding on the Class C Noteholders and the Class D Noteholders and the exercise of powers by the Class C Noteholders will be binding on the Class D Noteholders, in each case irrespective of the effect thereof on their interests.

(B) Security and Priority of Payments

The Issuer Security is set out in the Deed of Charge and Assignment. The Deed of Charge and Assignment also contains provisions regulating the priority of application of the Available Interest Receipts (as defined in the Master Definitions Schedule) among the persons entitled thereto prior to the service of an Enforcement Notice (as defined in Condition 9*(a)*), and of the Available Interest Receipts, the Available Principal and the proceeds of enforcement or realisation of the Issuer Security by the Issuer Security Trustee after the service of an Enforcement Notice.

The Issuer Security may be enforced following the service of an Enforcement Notice provided that, if the Issuer Security has become enforceable otherwise than by reason of a default in payment of any amount due on the Notes, the Issuer Security Trustee will not be entitled to dispose of the assets comprising the Issuer Security or any part thereof unless (i) a sufficient amount (in the opinion of the Issuer Security Trustee) would be realised to allow discharge in full of all amounts owing to the Noteholders and any amounts required under the Deed of Charge and Assignment to be paid in priority to the Notes, or (ii) the Issuer Security Trustee is of the opinion, which will be binding on the Noteholders, reached after considering at any time and from time to time the advice, upon which the Issuer Security Trustee will be entitled to rely, of such professional advisers as are

selected by the Issuer Security Trustee, that the cash flow prospectively receivable by the Issuer will not (or that there is a significant risk that it will not) be sufficient, having regard to any other actual, contingent or prospective liabilities of the Issuer, to discharge in full in due course all amounts owing to the Noteholders and any amounts required under the Deed of Charge and Assignment to be paid in priority to the Notes, or (iii) the Issuer Security Trustee determines that not to effect such disposal would place the Issuer Security in jeopardy, and, in any event and in each case, the Issuer Security Trustee has been indemnified and/or secured to its satisfaction.

3. Covenants

(A) Restrictions

Save with the prior written consent of the Note Trustee (which consent shall not be given without the prior resolutions of the Noteholders, such resolution having been passed by the holders of not less than 50.1 per cent. of the aggregate of the Principal Amount Outstanding of the Notes then outstanding and shall not be required if all the Notes have been redeemed in full) or unless otherwise provided in or envisaged by these Conditions or the Transaction Documents (as defined in the Master Definitions Schedule), the Issuer shall not, so long as any Note remains outstanding:

(a) Negative Pledge

create or permit to subsist any mortgage, standard security, sub-mortgage, sub-standard security, assignment, assignation, charge, sub-charge, pledge, lien (unless arising by operation of law), hypothecation or other security interest whatsoever over any of its assets, present or future (including any uncalled capital);

(b) Restrictions on Activities

(i) engage in any activity whatsoever which is not incidental to or necessary in connection with any of the activities which the Transaction Documents provide or envisage that the Issuer will engage in;

(ii) have any subsidiaries or any employees or own, rent, lease or be in possession of any buildings or equipment;

(iii) amend, supplement or otherwise modify its constitutive documents; or

(iv) engage, or permit any of its affiliates, to engage, in any activities in the United States (directly or through agents), derive, or permit any of its affiliates to derive, any income from sources within the United States as determined under United States federal income tax principles, and hold, or permit any of its affiliates to hold, any mortgaged property that would cause it or any of its affiliates to be engaged or deemed to be engaged in a trade or business within the United States as determined under United States federal income tax principles;

(c) Disposal of Assets

transfer, sell, lend, part with or otherwise dispose of, or deal with, or grant any option or present or future right to acquire any of its assets or undertaking or any interest therein other than in accordance with the provisions of the Transaction Documents;

(d) Dividends or Distributions

pay any dividend or make any other distribution to its shareholders or issue any further shares;

(e) Borrowings

incur or permit to subsist any indebtedness in respect of borrowed money whatsoever, except as contemplated by the Issuer Swap Transactions (as defined in the Master Definitions Schedule) or the Liquidity Facility Agreement (as defined in the Master Definitions Schedule) or give any guarantee or indemnity in respect of any indebtedness or of any obligation of any person;

(f) Merger

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

(g) Bank Accounts

have an interest in any bank account other than the Issuer Accounts (as defined in the Master Definitions Schedule), unless such account or interest therein is charged to the Issuer Security Trustee on terms acceptable to it.

In giving any consent to the foregoing (in furtherance of the resolutions of the Noteholders referred to in the first paragraph of this Condition 3) and subject to Condition 11, the Note Trustee may require the Issuer to make such modifications or additions to the provisions of any of the Transaction Documents or may impose such other conditions or requirements as the Note Trustee may deem expedient (in its absolute discretion) in the interests of the Noteholders, provided that each of the Rating Agencies has provided written confirmation to the Note Trustee that the then applicable ratings of each class of Notes then rated thereby will not be qualified, downgraded or withdrawn as a result of such modifications or additions.

(B) Cash Manager and Master Servicer

So long as any of the Notes remain outstanding, the Issuer will procure that there will at all times be a cash manager in respect of the monies from time to time standing to the credit of the Transaction Account (as defined in the Master Definitions Schedule) and any other account of the Issuer from time to time and a master loan servicer. Neither the Cash Manager (as defined in the Master Definitions Schedule) nor the Master Servicer (as defined in the Master Definitions Schedule) will be permitted to terminate its appointment unless a replacement cash manager or master loan servicer, as the case may be, acceptable to the Issuer and the Issuer Security Trustee has been appointed. The appointment of the Cash Manager and the Master Servicer may be terminated by the Issuer Security Trustee if, among other things, the Cash Manager or the Master Servicer, as applicable, defaults in any material respect (in the case of the Master Servicing Agreement (as defined in the Master Definitions Schedule)) or in any respect (in the case of the Cash Management Agreement (as defined in the Master Definitions Schedule)) in the observance and performance of any obligation imposed on it under the Master Servicing Agreement or the Cash Management Agreement, as applicable, which default is not remedied (i) within 15 Business Days, in the case of the Cash Management Agreement, after the earlier of the Cash Manager becoming aware of such default and written notice of such default being served on the Cash Manager by the Issuer Security Trustee (except in respect of a failure by the Cash Manager to make when due a payment required to be made by the Cash Manager on behalf of the Issuer, in which case the appointment of the Cash Manager may be terminated immediately), or (ii) within 30 Business Days, in the case of the Master Servicing Agreement, after written notice of such default shall have been served on the Master Servicer by the Issuer or the Issuer Security Trustee.

(C) Master Special Servicer

Upon being required to do so by the Note Trustee (acting as directed by an Extraordinary Resolution) of the Controlling Party, the Issuer Security Trustee shall, subject to the requirements of the Master Servicing Agreement regarding the appointment of a substitute, terminate the appointment of the person then acting as the Master Special Servicer (as defined in the Master Definitions Schedule) and replace such person with a Master Special Servicer who is acceptable to the Controlling Party. The "**Controlling Party**" will be the holders of the most junior class of the Notes outstanding from time to time, which class has a total Principal Amount Outstanding that is not less than 25 per cent. of that class's original Principal Amount Outstanding on the Closing Date; provided, however, that if no class of Notes has a Principal Amount Outstanding that satisfies this requirement, then the Controlling Party will be the holders of the most junior class of Notes then outstanding that has a Principal Amount Outstanding that is greater than zero.

(D) Operating Adviser

The Controlling Party may, by passing an Extraordinary Resolution, appoint a person to act as an adviser (the "**Operating Adviser**") with whom the Master Special Servicer will be required to liaise in accordance with the Master Servicing Agreement. The Note Trustee will notify the Master Servicer of the identity of the Operating Adviser so appointed.

4. Interest

(a) Accrual of Interest

Each Note will bear interest on its Principal Amount Outstanding (for the avoidance of doubt, without adjustment for any NAI Amount) from (and including) the Closing Date. Each Note (or, in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest from its due date for redemption unless, upon due presentation, payment of the relevant amount of principal or any part thereof is improperly withheld or refused. In such event, interest will continue to accrue thereon (before as well as after any judgment) at the rate applicable to such Note up to (but excluding) the date on which, on presentation of such Note, repayment in full of the relevant amount of principal, together with the interest accrued thereon, is made or (if earlier) the seventh day after notice is duly given to the holder (either in accordance with Condition 14 or individually) that, upon presentation thereof being duly made, such payment will be made, provided that upon presentation thereof being duly made, payment is in fact made.

(b) Interest Payment Dates and Interest Periods

Subject to Condition 15*(a)*, interest on the Notes is payable quarterly in arrear on the 27th day of January, April, July and October in each year (or, if such day is not a Business Day, the next succeeding Business Day unless such Business Day falls in the next succeeding calendar month in which event the immediately preceding Business Day) (each an "**Interest Payment Date**") in respect of the Interest Period ending immediately prior thereto. The first Interest Payment Date in respect of each Note will be the Interest Payment Date falling in October, 2005.

In these Conditions, "**Interest Period**" means the period from (and including) an Interest Payment Date (or, in respect of the payment of the first Interest Period, the Closing Date) to (but excluding) the next following Interest Payment Date and "**Business Day**", in these Conditions (other than Condition 5 and Condition 6), means a day (other than a Saturday or a Sunday) which is a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London, New York and Dublin.

(c) Rate of Interest

The rates of interest payable from time to time in respect of the Notes (each a "**Rate of Interest**") will be determined by the Agent Bank on each Interest Payment Date or, in the case of the first Interest Period, on the Closing Date (each an "**Interest Determination Date**").

Each Rate of Interest for the Interest Period shall be the aggregate of:

(i) the Relevant Margin (as defined below); and

(ii) (1) the arithmetic mean of the offered quotations to leading banks (rounded to five decimal places with the mid-point rounded up) for three-month sterling deposits in the London inter-bank market which appear on Telerate Screen Page No. 3750 (the "**Screen Rate**") (rounded to five decimal places with the mid-point rounded up) (or (i) such other page as may replace Telerate Screen Page No. 3750 on that service for the purpose of displaying such information or (ii) if that service ceases to display such information, such page as displays such information on such equivalent service (or, if more than one, that one which is approved by the Note Trustee) as may replace the Telerate Monitor) at or about 11.00 a.m. (London time) on the relevant Interest Determination Date; or

(2) if the Screen Rate is not then available, the arithmetic mean (rounded to five decimal places with the mid-point rounded up) of the rates notified to the Agent Bank at its request by each of the Reference Banks (as defined in Condition 4*(h)* below) as the rate at which three-month sterling deposits in an amount of £10,000,000 are offered for the same period as that Interest Period by that Reference Bank to leading banks in the London inter-bank market at or about 11.00 a.m. (London time) on the relevant Interest Determination Date. If on any such Interest Determination Date, two or three only of the Reference Banks provide such offered quotations to the Agent Bank, the relevant rate will be determined, as aforesaid, on the basis of the offered

quotations of those Reference Banks providing such quotations. If, on any such Interest Determination Date, only one or none of the Reference Banks provide the Agent Bank with such an offered quotation, the Agent Bank will forthwith consult with the Note Trustee and the Issuer for the purposes of agreeing two banks (or, where one only of the Reference Banks provided such a quotation, one additional bank) to provide such a quotation or quotations to the Agent Bank (which bank or banks are in the opinion of the Note Trustee suitable for such purpose) and the rate for the Interest Period in question will be determined, as aforesaid, on the basis of the offered quotations of such banks as so agreed (or, as the case may be, the offered quotations of such bank as so agreed and the relevant Reference Bank). If no such bank or banks is or are so agreed or such bank or banks as so agreed does or do not provide such a quotation or quotations, then the rate for the relevant Interest Period will be the Screen Rate in effect for the last preceding Interest Period to which sub-paragraph (1) of the foregoing provisions of this sub-paragraph (ii) shall have applied.

For the purposes of these Conditions the "**Relevant Margin**" shall be:

(A) in respect of the Class A Notes, 0.24 per cent. per annum;

(B) in respect of the Class B Notes, 0.32 per cent. per annum;

(C) in respect of the Class C Notes, 0.55 per cent. per annum; and

(D) in respect of the Class D Notes, 0.85 per cent. per annum.

(d) Determination of Rates of Interest and Calculation of Interest Amounts

The Agent Bank shall, on or as soon as practicable after each Interest Determination Date, determine and notify the Issuer, the Note Trustee, the Cash Manager, the Reporting Agent (as defined in the Master Definitions Schedule) and the Paying Agents in writing of (i) the Rate of Interest applicable to the Interest Period beginning on that Interest Determination Date, in respect of the Notes of each class, and (ii) the sterling amount (the "**Interest Amount**") payable in respect of such Interest Period in respect of the Notes of each class. Each Interest Amount in respect of the Notes shall be calculated by applying the Rate of Interest to the Principal Amount Outstanding of the Notes of each class (for the avoidance of doubt, taking into account the NAI Amount (if any) applicable in reducing the Principal Amount Outstanding of such class), multiplying such sum by the actual number of days in the relevant Interest Period divided by 365 and rounding the resultant figure downward to the nearest penny. An amount equal to the difference between the amount of interest that has accrued on each Note and the amount on interest due and payable after application of an NAI Amount to such Note will be deferred and will become due and payable on, and shall continue to accrue interest until, the date on which such Note is redeemed in full.

(e) Publication of Rates of Interest for the Notes, Interest Amounts and other Notices

As soon as practicable after receiving notification thereof, the Issuer shall cause the Rate of Interest and Interest Amount applicable to the Notes of each class for each Interest Period and the Interest Payment Date in respect thereof to be notified in writing to Irish Stock Exchange Limited (the "**Irish Stock Exchange**") (for so long as the Notes are listed on the Irish Stock Exchange) and shall cause notice thereof to be given to the Noteholders in accordance with Condition 14. The Interest Amounts and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of any extension or shortening of the Interest Period for the Notes.

(f) Determination or Calculation by the Note Trustee

If the Agent Bank does not at any time for any reason determine the Rate of Interest and/or calculate the Interest Amount for each Class of Notes in accordance with the foregoing Conditions, the Note Trustee may (i) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the procedure described above), it shall deem fair and reasonable in all the circumstances, and/or (as the case may be), (ii) calculate the Interest Amount for each class of Notes in

the manner specified in Condition 14*(d)* above, and any such determination and/or calculation shall be deemed to have been made by the Agent Bank.

(g) Notifications to be Final

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

(h) Reference Banks and Agent Bank

The Issuer shall ensure that, so long as any of the Notes remain outstanding, there are, at all times, four Reference Banks and an Agent Bank. The initial Reference Banks shall be the principal London office of four major banks in the London interbank market (the "**Reference Banks**") chosen by the Agent Bank. In the event of the principal London office of any such bank being unable or unwilling to continue to act as a Reference Bank, the Issuer shall appoint such other bank as may have been previously approved in writing by the Note Trustee to act as such in its place. Any purported resignation by the Agent Bank shall not take effect until a successor so approved by the Note Trustee has been appointed.

5. Redemption and Cancellation

(a) Final Redemption

Unless previously redeemed in full and cancelled as provided in this Condition 5, the Issuer shall redeem the Notes at their Principal Amount Outstanding together with accrued interest on the Interest Payment Date falling in April, 2014.

The Issuer may not redeem Notes in whole or in part prior to that date except as provided in this Condition but without prejudice to Condition 9.

(b) Mandatory Redemption in Part from Available Amortisation Funds, Available Prepayment Redemption Funds, Available Final Redemption Funds, Available Principal Recovery Funds and Available Interest.

Subject as provided in Conditions 5*(c)* and 5*(d)*, prior to the service of an Enforcement Notice and subject as provided below, each Class of Notes shall be subject to mandatory redemption in part on each Interest Payment Date to the extent that on the Calculation Date (as defined below) relating thereto amounts in respect of Available Principal are available to the Issuer on such Interest Payment Date.

The "**Calculation Date**" means the second Business Day prior to the relevant Interest Payment Date save in respect of the Interest Payment Date falling in April, 2014 when it means the actual Interest Payment Date in April, 2014.

The "**Available Principal**" on any Interest Payment Date means all Available Amortisation Funds, Available Prepayment Redemption Funds, Available Final Redemption Funds, Available Principal Recovery Funds less any Issuer Principal Receipts that were applied during the related Collection Period to pay Priority Amounts (as defined in the Master Definitions Schedule).

The "**Issuer Principal Receipts**" means, together, Amortisation Funds, Final Redemption Funds, Prepayment Redemption Funds and Principal Recovery Funds.

For the purposes of these Conditions:

(A) "**Amortisation Funds**" means the aggregate amount allocated towards principal received by or on behalf of the Issuer in respect of the Loans (as defined in the Master Definitions Schedule) other than any Prepayment Redemption Funds, Final Redemption Funds or Principal Recovery Funds (each as defined below) and "**Available Amortisation Funds**" means, in respect of any Calculation Date, the Amortisation Funds received by or on behalf of the Issuer during the period from (and including) the preceding Calculation Date to (but excluding) such Calculation Date (or, if applicable, in the case of the first Calculation Date, the period from (and including) the Closing Date to (but excluding) such first Calculation Date) (each a "**Collection Period**") less any amount of Amortisation Funds to be transferred to Available Interest Receipts on the Interest Payment Date immediately following such Calculation Date for the purpose of paying Work-out Fees (as defined in the Master Definitions Schedule);

(B) "**Final Redemption Funds**" means the aggregate amount allocated towards principal payments received by or on behalf of the Issuer in respect of the Loans as a result of the repayment of the relevant Loan upon its scheduled final maturity date, and "**Available Final Redemption Funds**" means, in respect of any Calculation Date, the Final Redemption Funds received by or on behalf of the Issuer during the Collection Period then ended less any amount of Final Redemption Funds to be transferred to Available Interest Receipts on the Interest Payment Date immediately following such Calculation Date for the purpose of paying Work-out Fees;

(C) "**Prepayment Redemption Funds**" means (i) the aggregate amount allocated towards principal payments received by or on behalf of the Issuer in respect of the Loans as a result of any prepayment in part or in full of a Loan (including upon the receipt of insurance proceeds not applied in reinstating the relevant Property prior to the final maturity of the relevant Loan), (ii) the aggregate amount of payments in respect of principal received by or on behalf of the Issuer as a result of a repurchase of a Loan by an Originator (as defined in the Master Definitions Schedule) pursuant to a Loan Sale Agreement (as defined in the Master Definitions Schedule) and (iii) the aggregate amount of payments in respect of principal received by or on behalf of the Issuer as a result of the purchase of a Loan by the Master Servicer pursuant to the Master Servicing Agreement and "**Available Prepayment Redemption Funds**" means, in respect of any Calculation Date, the Prepayment Redemption Funds received by or on behalf of the Issuer during the Collection Period then ended less any amount of Prepayment Redemption Funds to be transferred to Available Interest Receipts on the Interest Payment Date immediately following such Calculation Date for the purpose of paying Work-out Fees;

(D) "**Principal Recovery Funds**" means the aggregate amount of principal payments received or recovered by or on behalf of the Issuer as a result of actions taken in accordance with the enforcement procedures in respect of a Loan and/or the Related Security (as defined in the Master Definitions Schedule), and "**Available Principal Recovery Funds**" means, in respect of any Calculation Date, the Principal Recovery Funds received or recovered by or on behalf of the Issuer during the Collection Period then ended less any amount of Principal Recovery Funds to be transferred to Available Interest Receipts on the Interest Payment Date immediately following such Calculation Date for the purpose of paying Liquidation Fees (as defined in the Master Definitions Schedule), if any, payable on that Interest Payment Date;

but, in each case, only to the extent that such moneys have not been taken into account in the calculation of Available Principal on any preceding Calculation Date.

On each Interest Payment Date prior to the service of an Enforcement Notice, the Available Principal will be applied as set out below.

Subject as provided below, on each Interest Payment Date where a Sequential Redemption Event has not occurred, the Available Principal will be applied to redeem the Class A Notes, the Class B Notes, the Class C Notes and the Class D Notes. The amount by which a particular class of Notes will be redeemed on a particular Interest Payment Date will equal the sum of:

(A) an amount equal to the percentage applicable to the relevant Class of Notes of Available Principal (other than Available Principal Recovery Funds) received in respect of each Loan

according to its group. The relevant percentages for each Class of Notes and the groups of Loans for these purposes is set out below:

	Group 1 Loans	**Group 2 Loans**
Class A Notes	86.00%	80.00%
Class B Notes	6.00%	5.00%
Class C Notes	6.00%	6.00%
Class D Notes	2.00%	9.00%

Group 1 Loans:

Lloyds Building Loan
St. Enoch Loan
Halton Lea Shopping Centre Loan
Grays Shopping Centre Loan

Group 2 Loans:

Admiral Portfolio Loan
Normandy House Loan
Money Centre Loan
Environment Agency Building Loan; and

(B) an amount of Available Principal Recovery Funds received in respect of each Loan allocated to the relevant Class of Notes in accordance with the following procedure. The Available Principal Recovery Funds received in respect of a Loan will be applied sequentially to the Target Redemption Amounts for such Loan. The "**Target Redemption Amount**" for each Class of Notes in relation to each Loan on any day will be equal to the product of (i) the aggregate principal amount outstanding of the relevant Loan on that day and (ii) the percentage applicable to the relevant Class of Notes and the relevant Loan according to its group.

For the purpose of determining the amount of Available Principal to be allocated to redeem any Class of Notes, if in accordance with the above allocation rules the amount of Available Principal available to redeem a Class of Notes would exceed the Principal Amount Outstanding of such Class of Notes, an amount equal to the excess will be allocated to the other Classes of Notes on a *pro-rata* basis. The percentage of such excess amount to be applied to a Class of Notes will be equal to the fraction (expressed as a percentage) of (i) the weighted average loan allocation percentage applicable to the relevant outstanding Class of Notes divided by (ii) the aggregate of the weighted average loan allocation percentages applicable to all the Classes of Notes with a Principal Amount Outstanding of greater than zero. The weighted average loan allocation percentage of a Class of Notes on any Calculation Date will be equal to (i) the sum of the products of the amount of Available Principal applicable to each Loan and the relevant percentage applicable to the relevant Class of Notes divided by (ii) the amount of Available Principal to be allocated on such Calculation Date.

Notwithstanding the above, if on any Interest Payment Date where a Sequential Redemption Event has not occurred, but a Work-out Fee or Liquidation Fee is payable by the Issuer in respect of principal with the effect that Available Principal available to redeem the Notes is reduced (which may not be the case in respect of a Tranched Loan (as defined in the Master Definitions Schedule)), then the above application of Available Principal shall be altered. In such circumstances, the amount of such Work-out Fee or Liquidation Fee shall, for the purposes of calculating the amount of each class of Notes to be redeemed, be added to the amount of the then Available Principal and the notional waterfall above applied as if such amounts were available to the Issuer. Then the relevant amount of Work-out Fee or Liquidation Fee shall be deducted from the amount by which the most junior class of Notes would have been redeemed if such increased sum of Available Principal had been available and the Notes of each class shall then be redeemed by reference to such revised amounts.

A "**Sequential Redemption Event**" shall occur if any of the following circumstances exist on a Calculation Date:

(A) more than 25 per cent. of the Loans are Specially Serviced Loans (as defined in the Master Definitions Schedule); or

(B) the cumulative percentage of Loans (calculated by reference to the principal amount outstanding of the Loans as at the Closing Date (as defined in the Master Definitions Schedule)) which have defaulted since the Closing Date is greater than 25 per cent. of the aggregate principal amount outstanding of the Loans as at the Closing Date; provided that, in determining whether a Loan has defaulted for the purposes of this paragraph:

(1) such determination shall be made solely on the basis of the terms of the relevant Credit Agreement (as defined in the Master Definitions Schedule) as at the Closing Date and without regard to any subsequent amendments to the relevant Credit Agreement or waivers granted in respect thereof; and

(2) an event of default shall not be deemed to have occurred if (a) the default is with respect to payment and such default has been remedied or cured within ten Business Days of such default, and/or (b) the default is other than with respect to payment, the default is capable of being remedied or cured and such default has been remedied or cured within 30 days of such default being notified in accordance with the terms of the relevant Credit Agreement, and/or (c) enforcement procedures have been completed and the principal amount outstanding and all amounts of interest, fees, expenses and any other amounts payable by the relevant Borrower (as defined in the Master Definitions Schedule) in respect of such defaulted Loan have been received in full or the relevant Borrower has prepaid the defaulted Loan in full (including, for the avoidance of doubt, all amounts of interest, fees, expenses and other amounts payable by the relevant Borrower in respect of such defaulted Loan); or

(C) there has been any loss incurred by the Noteholders since the Closing Date resulting from a failure to repay principal of, or, other than in respect of the most senior class of Notes then outstanding, pay interest on, any Note on the due date for such payment.

If a Sequential Redemption Event has occurred then all Available Principal will be applied on each subsequent Interest Payment Date in the following order of priority:

(i) **first**, in or towards repaying the Principal Amount Outstanding of the Class A Notes until all the Class A Notes have been redeemed in full;

(ii) **second**, in or towards repaying the Principal Amount Outstanding of the Class B Notes until all the Class B Notes have been redeemed in full;

(iii) **third**, in or towards repaying the Principal Amount Outstanding of the Class C Notes until all the Class C Notes have been redeemed in full; and

(iv) **fourth**, in or towards repaying the Principal Amount Outstanding of the Class D Notes until the Class D Notes have been repaid in full.

(c) Mandatory Redemption for Tax or Other Reasons

If the Corporate Services Provider (as defined in the Master Definitions Schedule), acting on behalf of the Issuer, at any time notifies the Note Trustee immediately prior to giving the notice referred to below that either (i) by virtue of a change in the tax law of the United Kingdom or any other jurisdiction (or the application or official interpretation thereof) from that in effect on the Closing Date, on the next Interest Payment Date the Issuer or any Paying Agent on its behalf would be required to deduct or withhold from any payment of principal or interest in respect of any Note (other than (i) where the relevant holder or beneficial owner has some connection with the relevant jurisdiction other than the holding of Notes, or (ii) in respect of default interest), any amount for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the relevant jurisdiction (or any political sub-division thereof or authority thereof or therein having power to tax) and such requirement cannot be avoided by the Issuer taking reasonable measures available to it, or (ii) by virtue of a change in law from that in effect on the

Closing Date, any amount payable by the Borrowers in relation to the Loans is reduced or ceases to be receivable (whether or not actually received) by the Issuer during the Interest Period preceding the next Interest Payment Date and, in either case, the Issuer has, prior to giving the notice referred to below, certified to the Note Trustee that either (x) it will have the necessary funds on such Interest Payment Date to discharge all of its liabilities in respect of the Notes to be redeemed or repaid under this Condition 5*(c)* and any amounts required under the Deed of Charge and Assignment to be paid in priority to, or *pari passu* with, the Notes to be so redeemed or repaid, or (y) it will have sufficient funds to discharge all of the amounts referred to in (x) above other than such amounts in respect of the most junior class of Notes then outstanding, and that the Issuer has obtained the written consent of all of the Noteholders of the most junior class of Notes then outstanding to the redemption at such lower amount, which certificate shall be conclusive and binding, and provided that, on the Interest Payment Date on which such notice expires, no Enforcement Notice has been served, then the Issuer shall, on any Interest Payment Date on which the relevant event described above is continuing, having given not more than 60 nor less than 30 days' written notice ending on such Interest Payment Date to the Note Trustee, the Paying Agents and to the Noteholders in accordance with Condition 14, redeem:

(A) all Class A Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A Notes plus interest accrued and unpaid thereon; and

(B) all Class B Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class B Notes plus interest accrued and unpaid thereon; and

(C) all Class C Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class C Notes plus interest accrued and unpaid thereon; and

(D) all Class D Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class D Notes plus interest accrued and unpaid thereon.

After giving notice of redemption or repayment pursuant to this sub-paragraph, the Issuer shall not make any further payment of principal on the Notes other than by way of redemption or repayment pursuant to this Condition 5*(c)*. Once redeemed or repaid to the full extent provided in this Condition 5*(c)*, the Notes shall cease to bear interest.

(d) Mandatory Redemption in Full – Issuer Swap Transactions

If, at any time, one or more of the Issuer Swap Transactions is terminated by reason of the occurrence of a Swap Tax Event (as defined below) under the Issuer Swap Agreement (as defined in the Master Definitions Schedule) and (i) the Issuer cannot avoid such Swap Tax Event by taking reasonable measures available to it, (ii) the Issuer Swap Provider (as defined in the Master Definitions Schedule) is unable to transfer its rights and obligations thereunder to another branch, office or affiliate to cure the Swap Tax Event, and (iii) the Issuer is unable to find a replacement interest rate Issuer Swap Provider (the Issuer being obliged to use its best endeavours to find a replacement interest rate Issuer Swap Provider) then, on giving not more than 60 nor less than 30 days' written notice to the Note Trustee and to the Noteholders in accordance with Condition 14 and provided that, on the Interest Payment Date on which such notice expires, no Enforcement Notice in relation to the Notes has been served and further provided that the Issuer has, prior to giving such notice, certified to the Issuer Security Trustee that either (x) it will have the necessary funds to discharge on such Interest Payment Date all of its liabilities in respect of the Notes to be redeemed under this Condition 5*(d)* and any amounts required under the Deed of Charge and Assignment to be paid on such Interest Payment Date which rank higher or *pari passu* in priority to the Notes, or (y) it will have sufficient funds to discharge all of the amounts referred to in (x) above other than such amounts in respect of the most junior class of Notes then outstanding and that the Issuer has obtained the written consent of all of the Noteholders of the most junior class of Notes then outstanding to the redemption at such lower amount, which certificate will be conclusive and binding, the Issuer shall on such Interest Payment Date redeem the Notes as follows:

(A) all Class A Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class A Notes plus interest accrued and unpaid thereon; and

(B) all Class B Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class B Notes plus interest accrued and unpaid thereon; and

(C) all Class C Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class C Notes plus interest accrued and unpaid thereon; and

(D) all Class D Notes in an amount equal to the then aggregate Principal Amount Outstanding of the Class D Notes plus interest accrued and unpaid thereon.

After giving notice of redemption or repayment pursuant to this sub-paragraph, the Issuer shall not make any further payment of principal on the Notes other than by way of redemption pursuant to this Condition 5(*d*). Once redeemed to the full extent provided in this sub-paragraph, the Notes shall cease to bear interest.

For these purposes, a "**Swap Tax Event**" means:

(i) any action taken by a taxing authority, or brought in a court of competent jurisdiction (regardless of whether such action is taken or brought with respect to a party to the Issuer Swap Agreement); or

(ii) the enactment, promulgation, execution or ratification of, or change in or amendment to, any law (or in the application or interpretation of any law),

as a result of which, on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by any government or taxing authority, either the Issuer or the Issuer Swap Provider will, or there is a substantial likelihood that it will be required to pay additional amounts or make an advance in respect of tax under the Issuer Swap Agreement or the Issuer Swap Provider will, or there is a substantial likelihood that it will, receive a payment from the Issuer from which an amount is required to be deducted or withheld for or on account of tax and no additional amount or advance is able to be paid by the Issuer.

(e) Note Principal Payments, Principal Amount Outstanding and Pool Factor

The principal amount (if any) to be redeemed in respect of each Note (the "**Note Principal Payment**") on any Interest Payment Date under Condition 5*(b)* or Condition 5*(c)* or Condition 5*(d)*, as applicable, will, in relation to the Notes of a particular class, be a *pro rata* share of the aggregate amount required to be applied in redemption of the Notes of that class on such Interest Payment Date under Condition 5*(b)* or Condition 5*(c)* or Condition 5*(d)*, as applicable, (rounded down to the nearest penny) provided always that no such Note Principal Payment may exceed the Principal Amount Outstanding of the relevant Note.

On each Calculation Date, the Reporting Agent shall determine (i) the amount of any Note Principal Payment (if any) due on the next following Interest Payment Date, (ii) the Principal Amount Outstanding of each Note on the next following Interest Payment Date (after deducting any Note Principal Payment to be paid on that Interest Payment Date), and (iii) the fraction expressed as a decimal to the sixth place (the "**Pool Factor**"), of which the numerator is the Principal Amount Outstanding (after deducting any Note Principal Payment to be paid on that Interest Payment Date) of a Note of the relevant class (calculated on the assumption that the face amount of such Note on the date of issuance thereof was £100,000 in the case of the Reg S Notes and £250,000 in the case of the Rule 144A Notes) and the denominator is £100,000 in the case of the Reg S Notes and £250,000 in the case of the Rule 144A Notes. Each determination by the Cash Manager of any Note Principal Payment the Principal Amount Outstanding of a Note and the Pool Factor shall in each case (in the absence of wilful default, bad faith or manifest error) be final and binding on all persons.

The "**Principal Amount Outstanding**" of a Note on a particular day will be the principal amount of that Note on the Closing Date less the aggregate amount of any principal repaid by the Issuer on or prior to such day and less, for all purposes other than Condition 4(*a*) (Accrual of Interest), Condition 5(*a*) (Final Redemption), Condition 5(*c*) (Mandatory Redemption for Tax or Other Reasons) and Condition 9(*b*) (Effect of Enforcement Notice), the NAI Amount of such Note. The amount of interest due and payable on a Note on an Interest Payment Date will be calculated on the Principal Amount Outstanding after deduction of any NAI Amount applicable to such Note on such Interest Payment Date.

The non-accruing (in cash terms) interest amount (the "**NAI Amount**") of a Note means, with respect to any Calculation Date, a *pro rata* share of the NAI Shortfall Amount, applied to the relevant class of Notes in accordance with the following sentence. On the Interest Payment Date immediately following any Calculation Date on which an NAI Shortfall Amount has been determined, the Principal Amount Outstanding of the Notes will, for all purposes other than Condition 4*(c)* Accrual of Interest, Condition 5*(a)* (Final Redemption), 5*(c)* (Mandatory Redemption for Tax or Other Reasons) and 9*(b)* (Effect of Enforcement Notice) only, be reduced by an amount equal to such NAI Shortfall Amount as applied to the classes of Notes in a reverse sequential order beginning with the most subordinate class of notes that has a Principal Amount Outstanding.

The non-accruing (in cash terms) interest shortfall amount (the "**NAI Shortfall Amount**") means, with respect to any Calculation Date, the excess of (x) the aggregate Principal Amount Outstanding of the Notes on the related Interest Payment Date (after application of any Principal Receipts, if any, to be applied on such Interest Payment Date) over (y) the aggregate amount of principal with respect to all Loans outstanding as determined by the Master Servicer or the Master Special Servicer (in the case of a Specially Serviced Loan) after taking into account all principal received on or before such Calculation Date.

The Issuer (or the Reporting Agent on its behalf) will cause determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be notified in writing forthwith to the Note Trustee, the Issuer Security Trustee, the Paying Agents, the Rating Agencies, the Agent Bank and (for so long as the Notes are admitted to trading on the Irish Stock Exchange) the Irish Stock Exchange and will cause notice of each determination of a Note Principal Payment, Principal Amount Outstanding and Pool Factor to be given to the Noteholders in accordance with Condition 14 as soon as reasonably practicable.

If the Issuer (or the Reporting Agent on its behalf) does not at any time for any reason determine a Note Principal Payment, the Principal Amount Outstanding or the Pool Factor in accordance with the preceding provisions of this Condition 5*(e)*, such Note Principal Payment, Principal Amount Outstanding and Pool Factor may be determined by the Note Trustee (but without any liability accruing to the Note Trustee as a result) in accordance with this Condition 5*(e)*, and each such determination or calculation will be binding and will be deemed to have been made by the Issuer or the Reporting Agent, as the case may be.

(f) Notice of Redemption

Any such notice as is referred to in Condition 5*(c)*, *(d)* or *(e)* above shall be irrevocable and, upon the expiration of such notice, the Issuer shall be bound to redeem the Notes of the relevant class in the amounts specified in these Conditions.

(g) Cancellation

All Notes redeemed in full pursuant to the foregoing provisions shall be cancelled forthwith and may not be resold or re-issued.

6. Payments

(a) Means of making payments

Payments of principal and interest in respect of each Note will be made to the person listed at the close of business on the Record Date in the Register as the holder of that Note (the "**Payee**") (or if two or more persons are so listed, the person first appearing in the list), by wire transfer of immediately available funds, if such Payee shall have provided wiring instructions no less than five Business Days prior to the Record Date, or otherwise by sterling cheque drawn on a branch of a bank in London posted to the Payee (or the first-named of two joint holders) of such Note at the address shown in the Register not later than the due date for such payment. If any payment due in respect of any Note is not made in full, the Registrar will annotate the Register with a record of the amount, if any, paid. In the case of the final redemption, and provided that payment is made in full, payment will only be made against the surrender of those Notes to the Registrar.

Upon application by a Payee to the specified office of the Registrar not later than the Record Date for payment in respect of such Note, such payment will be made by transfer to a sterling account maintained by the Payee with a branch of a bank in London. Any such application for transfer to such account shall be deemed to relate to all future payments in respect of such Note until such time as the Registrar is notified in writing to the contrary by the Payee. The "**Record Date**" means in connection with any payment, the fifteenth day before the due date for such payment.

(b) Laws and Regulations

Payments of principal, interest and premium (if any) in respect of the Notes are subject in all cases to any fiscal or other laws and regulations applicable thereto. Noteholders will not be charged commissions or expenses on these payments.

(c) Definitive Notes

If a Noteholder holds Definitive Notes, payments of principal and interest on a Note (except in the case of a final payment that pays off the entire principal on the Note) will be made by cheque and mailed to the Noteholder at the address shown in the Register. In the case of final redemption, payment will be made only when the Note is surrendered. If the Noteholder makes an application to the Registrar, payments can instead be made by transfer to a bank account.

(d) Overdue Principal Payments

If payment of principal is improperly withheld or refused on or in respect of any Note or part thereof, the interest which continues to accrue in respect of such Note or part thereof will still be payable in accordance with the usual procedures.

(e) Change of Agents

The Principal Paying Agent is The Bank of New York at its office at 48th Floor, One Canada Square, London E14 5AL. The Issuer reserves the right, subject to the prior written approval of the Note Trustee, at any time to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar and the Agent Bank and to appoint additional or other Agents. The Issuer will at all times maintain a Paying Agent in London, in New York and in Dublin (in the case of Dublin, for so long as the Notes are listed on the Irish Stock Exchange, Dublin). The Issuer shall cause at least 30 days' notice of any change in or addition to the Paying Agents or the Registrar to be given to the Noteholders in accordance with Condition 14.

(f) Accrual of Interest on Late Payments

If interest is not paid in respect of a Note of any class on the date when due and payable (other than by reason of non-compliance with Condition 6*(a)*), then such unpaid interest shall itself bear interest at the applicable Rate of Interest until such interest and interest thereon is available for payment and notice thereof has been duly given to the Noteholders in accordance with Condition 14, provided that such interest and interest thereon are, in fact, paid.

(g) Redenomination in Euro

(i) If at any time there is a change in the currency of the United Kingdom such that the Bank of England recognises a different currency or currency unit or more than one currency or currency unit as the lawful currency of the United Kingdom, then references in, and obligations arising under, the Notes outstanding at the time of any such change and which are expressed in sterling will be converted into, and/or any amount becoming payable under the Notes thereafter as specified in these Conditions will be paid in, the currency or currency unit of the United Kingdom, and in the manner designated by the Principal Paying Agent.

Any such conversion will be made at the official rate of exchange recognised for that purpose by the Bank of England.

(ii) Where such a change in currency occurs, the Global Notes in respect of the Notes then outstanding and these Conditions in respect of the Notes will be amended in the manner agreed by the Issuer and the Note Trustee so as to reflect that change and, so far as practicable, to place the Issuer, the Note Trustee and the Noteholders in the same position each would have been in had no change in currency occurred (such amendments to include, without limitation, changes required to reflect any modification to business day or other conventions arising in connection with such change in currency). All amendments made pursuant to this Condition 6*(g)* will be binding upon holders of such Notes.

(iii) Notification of the amendments made to the Notes pursuant to this Condition 6*(g)* will be made to the Noteholders in accordance with Condition 14 which will state, among other things, the date on which such amendments are to take or took effect, as the case may be.

7. Taxation

All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties or charges of whatsoever nature unless the Issuer or any Paying Agent is required by applicable law in any jurisdiction to make any payment in respect of the Notes subject to any such withholding or deduction. In that event, the Issuer or such Paying Agent (as the case may be) will make such payment after such withholding or deduction has been made and will account to the relevant authorities for the amount so required to be withheld or deducted. **Neither the Issuer nor any Paying Agent will be obliged to make any additional payments to the Noteholders in respect of such withholding or deduction.**

8. Prescription

Claims for principal and interest in respect of the Notes will become void unless made within 10 years, in the case of principal, and five years, in the case of interest, of the appropriate relevant date.

In this Condition 8, the "**relevant date**" means the date on which a payment in respect thereof first becomes due, but if the full amount of the moneys payable has not been received by the Principal Paying Agent or the Note Trustee on or prior to such date, it means the date on which the full amount of such moneys shall have been so received, and notice to that effect shall have been duly given to the Noteholders in accordance with Condition 14.

9. Events of Default

(a) Eligible Noteholders

If, while any of the Notes are outstanding, any of the events mentioned in sub-paragraphs (i) to (v) inclusive below occurs (each such event being an "**Event of Default**") the Note Trustee may, and will, if so requested in writing by the "**Eligible Noteholders**", being:

(1) the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes then outstanding; or

(2) if there are no Class A Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class B Notes then outstanding; or

(3) if there are no Class A Notes and Class B Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class C Notes then outstanding, or

(4) if there are no Class A Notes, Class B Notes and Class C Notes outstanding, the holders of not less than 25 per cent. in aggregate of the Principal Amount Outstanding of the Class D Notes then outstanding,

or if so directed by or pursuant to an Extraordinary Resolution of the Class A Noteholders or, if no Class A Notes are outstanding, the then most senior class of Noteholders, shall, and in any case aforesaid, subject to the Note Trustee being indemnified and/or secured to its satisfaction, give notice (an "**Enforcement Notice**") to the Issuer, with a copy to the Issuer Security Trustee, declare all the Notes to be due and repayable and the Issuer Security enforceable:

(i) default is made for a period of three days in the payment of the principal of, or default is made for a period of five days in the payment of interest on, any Class A Note; or if there are no Class A Notes outstanding, any Class B Note; or, if there are no Class B Notes outstanding, any Class C Note; or, if there are no Class C Notes outstanding, any Class D Note;

(ii) default is made by the Issuer in the performance or observance of any obligation (other than a payment default as described in (i) above) binding upon it under any of the Notes of any class, the Trust Deed, the Deed of Charge and Assignment or the other Transaction Documents to which it is party and, in any such case (except where the Note Trustee certifies that, in its opinion, such default is incapable of remedy when no notice will be required), such default continues for a period of 14 days following the service by the Note Trustee on the Issuer of notice requiring the same to be remedied; or

(iii) an order is made or an effective resolution is passed for the winding-up of the Issuer except a winding-up for the purposes of or pursuant to an amalgamation or reconstruction the terms of which have previously been approved by the Note Trustee in writing or by an Extraordinary Resolution of the Eligible Noteholders; or

(iv) the Issuer, otherwise than for the purposes of such amalgamation or reconstruction as is referred to in Condition 9*(a)*(v) below, ceases or, consequent upon a resolution of the board of directors of the Issuer, threatens to cease to carry on business or a substantial part of its business or the Issuer is or is deemed unable to pay its debts within the meaning of Section 123(1) and (2) of the Insolvency Act 1986 (as that section may be amended from time to time); or

(v) proceedings are initiated against the Issuer under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including, but not limited to, any application to court for an administration order, the filing of documents with the court for the appointment of an administrator, the service of a notice of intention to appoint an administrator or the taking of any steps to appoint an administrator) and such proceedings are not, in the opinion of the Note Trustee, being disputed in good faith with a reasonable prospect of success, or an administration order is granted or an administrative receiver or other receiver, liquidator or other similar official is appointed in relation to the Issuer or any part of its undertaking, property or assets, or an encumbrancer takes possession of all or any part of the undertaking, property or assets of the Issuer, or a distress, execution, diligence or other process is levied or enforced upon or sued against all or any part of the undertaking, property or assets of the Issuer and such possession or process is not discharged or does not otherwise cease to apply within 15 days, or the Issuer initiates or consents to judicial proceedings relating to itself under applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of its creditors generally,

provided that, in the case of each of the events described in Condition 9*(a)*(ii) or 9*(a)*(iv), the Note Trustee shall have certified to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Class A Noteholders or, if no Class A Notes are outstanding, the then most senior class of Noteholders.

In the event of a conflict between the instructions of the Eligible Noteholders of a class of Notes and an Extraordinary Resolution of the holders of the same class of Notes, the instructions issued pursuant to the Extraordinary Resolution shall prevail.

(b) Effect of Enforcement Notice

Upon the giving of an Enforcement Notice in accordance with Condition 9*(a)* above, all the Notes then outstanding shall immediately become due and repayable at their Principal Amount Outstanding together with accrued interest and the Issuer Security shall become enforceable, all in accordance with the Trust Deed and the Deed of Charge and Assignment.

10. Enforcement and Post-Enforcement Call Option

(a) Enforcement

(i) Subject to the provisions of Condition 15, following the service of an Enforcement Notice the Issuer Security Trustee may, without notice, take such proceedings against the Issuer or any other person as are appropriate to enforce the provisions of the Notes and the Transaction Documents and may, at any time after the Issuer Security has become enforceable, without notice, take possession of the Issuer Security or any part thereof and may in its discretion sell, call in, collect and convert into money the Issuer Security or any part thereof in such manner and upon such terms as the Issuer Security Trustee may think fit to enforce the Issuer Security, but it will not be bound to take any such proceedings or steps unless:

(A) for so long as any Notes are outstanding, it has been directed to do so by the Note Trustee; and

(B) it shall be indemnified and/or secured to its satisfaction against all actions, proceedings, claims and demands to which it may thereby render itself liable and all liabilities, losses, costs, charges, damages and expenses (including any VAT thereon) which it may incur by so doing.

(ii) The Note Trustee will not be bound to issue directions to the Issuer Security Trustee in respect of the enforcement of the Issuer Security unless, subject to the proviso below, it is directed to do so, in accordance with Condition 9, by an Extraordinary Resolution of the Class A Noteholders, the Class B Noteholders, the Class C Noteholders or the Class D Noteholders, or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes, the Class B Notes, the Class C Notes or the Class D Notes, as applicable, then outstanding; and

PROVIDED THAT:

(i) the Note Trustee shall not be bound to act at the direction of the Class B Noteholders unless to do so would not in the opinion of the Note Trustee be materially prejudicial to the interests of the Class A Noteholders or the Note Trustee has been directed to take such action by an Extraordinary Resolution of the Class A Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of the Class A Notes then outstanding;

(ii) the Note Trustee shall not be bound to act at the direction of the Class C Noteholders unless to do so would not in the opinion of the Note Trustee be materially prejudicial to the respective interests of the Class A Noteholders and the Class B Noteholders or the Note Trustee has been directed to take such action by Extraordinary Resolutions of each of the Class A Noteholders and the Class B Noteholders or by a notice in writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of each of the Class A Notes and the Class B Notes then outstanding.

(iii) the Note Trustee shall not be bound to act at the direction of the Class D Noteholders unless to do so would not in the opinion of the Note Trustee be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders or the Note Trustee has been directed to take such action by Extraordinary Resolutions of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders or by a notice in

writing signed by the holders of at least 25 per cent. in aggregate of the Principal Amount Outstanding of each of the Class A Notes, the Class B Notes and the Class C Notes then outstanding.

Enforcement of the Issuer Security will be the only remedy available to the Note Trustee and the Noteholders for the repayment of the Notes and any interest thereon. No Noteholder shall be entitled to proceed directly against the Issuer or any other party to the Transaction Documents or to enforce the Issuer Security unless the Issuer Security Trustee, having become bound to do so, fails to do so within 90 days from the date it becomes so bound and such failure shall be continuing; provided that no Class B Noteholder (for so long as there is any Class A Note outstanding), no Class C Noteholder (for so long as there is any Class A Note, or Class B Note outstanding) and no Class D Noteholder shall (for so long as there is any Class A Note, Class B Note or Class C Note outstanding) be entitled to take such action. No Noteholder will be entitled to directly take proceedings for the winding up or administration of the Issuer. The Issuer Security Trustee cannot, while any of the Notes are outstanding, be required to enforce the Issuer Security at the request of any other Secured Party under (and as defined in the Master Definitions Schedule) the Deed of Charge and Assignment.

(b) Post-Enforcement Call Option

Following the service of an Enforcement Notice, the Noteholders will, at the request of EPRE 1 PECO Holder Limited (the "**PECO Holder**"), sell all (but not some only) of their holdings of Notes then outstanding to the PECO Holder pursuant to the option, which entitles the PECO Holder to acquire all (but not some only) of the outstanding Notes (plus accrued interest thereon for a consideration of £0.01 per Note (the "**Post-Enforcement Call Option**"), granted to the PECO Holder by the Note Trustee (on behalf of the Noteholders) pursuant to the Post-Enforcement Call Option Agreement (as defined in the Master Definitions Schedule).

The Post-Enforcement Call Option will become exercisable by the PECO Holder on the date upon which the Issuer Security Trustee gives written notice to the PECO Holder that it has determined in its sole opinion and discretion that (i) all amounts outstanding under the Notes have become due and payable and (ii) there is no reasonable likelihood of there being any further realisations (whether arising from an enforcement of the Issuer Security or otherwise) which would be available to pay amounts outstanding under the Notes.

Each of the Noteholders grants to the Note Trustee and acknowledges that the Note Trustee has the authority and the power to bind such Noteholder in accordance with the provisions set out in the Post-Enforcement Call Option Agreement and each Noteholder by acquiring the relevant Notes irrevocably authorises the Note Trustee to act on its behalf in respect of the Post-Enforcement Call Option and agrees to be bound to the terms of this Condition and the Post-Enforcement Call Option Agreement and ratifies the Note Trustee's entry into the Post-Enforcement Call Option Agreement, on its behalf, accordingly.

The Issuer shall give notice of exercise of the Post-Enforcement Call Option to the Noteholders in accordance with Condition 14.

11. Meetings of Noteholders, Modification and Waiver

(*a*) The Trust Deed contains provisions for convening meetings of the Noteholders of any class to consider any matter affecting their interests including the sanctioning by Extraordinary Resolution of, among other things, the removal of the Note Trustee, a modification of the Notes (including these Conditions) or the provisions of any of the Transaction Documents.

(*b*) An Extraordinary Resolution passed at any meeting of the Class A Noteholders will be binding on all other Noteholders, irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Transaction Documents, which (except as provided in Condition 11(*f*) and Condition 11(*j*)) will not take effect unless it shall have been sanctioned by an Extraordinary Resolution of each other class of Noteholders (or it will not, in the opinion of the Note Trustee, be materially prejudicial to the interests of the other Noteholders).

The term "**Extraordinary Resolution**" means a resolution passed at a meeting of the relevant class of Noteholders duly convened and held in accordance with the provisions contained in the Trust Deed by a majority consisting of not less than 75 per cent. of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than 75 per cent. of the votes given on such poll.

(c) An Extraordinary Resolution passed at any meeting of the Class B Noteholders (other than as referred to in Condition 11*(b)*) shall not be effective for any purpose unless either:

(i) the Note Trustee is of the opinion that it would not be materially prejudicial to the interests of the Class A Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of the Class A Noteholders.

An Extraordinary Resolution passed at any meeting of the Class B Noteholders will be binding on all other Noteholders (other than the Class A Noteholders), irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Transaction Documents which (except as provided in Condition 11(*f*) and Condition 11(*j*)) will not take effect unless it has been sanctioned by an Extraordinary Resolution of the Class C Noteholders and the Class D Noteholders (or it will not, in the opinion of the Trustee, be materially prejudicial to the respective interests of the Class C Noteholders and the Class D Noteholders).

(d) An Extraordinary Resolution passed at any meeting of Class C Noteholders (other than as referred to in Conditions 11*(b)* or 11*(c)*) shall not be effective for any purpose unless either:

(i) the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders and the Class B Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of each of the Class A Noteholders and the Class B Noteholders.

An Extraordinary Resolution passed at any meeting of the Class C Noteholders will be binding on all other Noteholders (other than the Class A Noteholders and the Class B Noteholders), irrespective of the effect upon them, except an Extraordinary Resolution to sanction a modification of, or a waiver or authorisation of any breach or proposed breach of any of the provisions of, these Conditions or any of the Transaction Documents which (except as provided in Condition 11(*f*) and Condition 11(*j*)) will not take effect unless it has been sanctioned by an Extraordinary Resolution of the Class D Noteholders (or it will not, in the opinion of the Trustee, be materially prejudicial to the respective interests of the Class D Noteholders).

(e) An Extraordinary Resolution passed at any meeting of Class D Noteholders (other than as referred to in Conditions 11*(b)*, 11*(c)* or 11*(d)*) shall not be effective for any purpose unless either:

(i) the Note Trustee is of the opinion that it would not be materially prejudicial to the respective interests of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders; or

(ii) it is sanctioned by an Extraordinary Resolution of each of the Class A Noteholders, the Class B Noteholders and the Class C Noteholders.

(f) Subject as provided below, the quorum at any meeting of the Noteholders of any class for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 50 per cent. in Principal Amount Outstanding of the Notes of such class or, at any adjourned meeting, two or more persons being or representing Noteholders of such class whatever the Principal Amount Outstanding of the Notes of such class so held or represented. For so long as all the Notes (whether being Definitive Notes or represented by a Global Note) of a class are held by one person, such person will constitute two persons for the purposes of forming a quorum for meetings. Furthermore, a proxy for the holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders.

The quorum at any meeting of Noteholders of any class for passing an Extraordinary Resolution in respect of a Basic Terms Modification (as defined in the Master Definitions Schedule) will be two or more persons holding or representing not less than 75 per cent. or, at any adjourned such meeting, 33 1/3 per cent. in Principal Amount Outstanding of the Notes of such class for the time being outstanding.

The majority required for an Extraordinary Resolution shall be not less than 75 per cent. of the votes cast on the resolution. An Extraordinary Resolution passed at any meeting of Noteholders of any class shall be binding on all Noteholders of such class whether or not they are present at such meeting.

(g) Subject to Condition 11*(g)* and Condition 11(*j*), the Note Trustee may agree, without the consent of the Noteholders, (i) to any modification (except a Basic Terms Modification) of, or to any waiver or authorisation of any breach or proposed breach of, the Notes (including these Conditions) or any of the Transaction Documents which, in the opinion of the Note Trustee, is not materially prejudicial to the interests of any class of Noteholders, or (ii) to any modification of the Notes (including these Conditions) or any of the Transaction Documents which, in the opinion of the Note Trustee, is to correct a manifest error or is of a formal, minor or technical nature. The Note Trustee may also, without the consent of the Noteholders of any class, determine that an Event of Default will not, subject to specified conditions, be treated as such, provided always that the Note Trustee will not exercise such powers of waiver, authorisation or determination in contravention of any express direction given by the Eligible Noteholders or by an Extraordinary Resolution of the Class A Noteholders or, if no Class A Notes are outstanding, the then most senior class of Noteholders (provided that no such direction shall affect any authorisation, waiver or determination previously made or given). Any such modification, waiver, authorisation or determination will be binding on the Noteholders and, unless the Note Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

(h) Where either the Note Trustee or the Issuer Security Trustee is required, in connection with the exercise of its powers, trusts, authorities, duties and discretions, to have regard to the interests of the Noteholders of any class, it shall have regard to the interests of such Noteholders as a class and, in particular, but without prejudice to the generality of the foregoing, the Note Trustee and the Issuer Security Trustee shall not have regard to, or be in any way liable for, the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Note Trustee and the Issuer Security Trustee shall not be entitled to require, nor shall any Noteholder be entitled to claim, from the Issuer, the Note Trustee, the Issuer Security Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(i) Each of the Note Trustee and the Issuer Security Trustee may determine whether or not any event, matter or thing is, in its opinion, materially prejudicial to the interests of the Noteholders and if the Note Trustee or the Issuer Security Trustee, as the case may be, shall certify that any such event, matter or thing is, in its opinion, materially prejudicial, such certificate shall be conclusive and binding upon the Issuer and the Noteholders. In making such a determination, the Note Trustee and the Issuer Security Trustee shall be entitled to take into account, among other things, any confirmation by the Rating Agencies (if available) that the then current rating of the Notes of the relevant class would or, as the case may be, would not, be adversely affected by such event, matter or thing provided that neither the Note Transfer nor the Issuer Security Trustee shall be obliged to treat any Rating Agency confirmation as determinative.

(*j*) Nothing in this Condition 11 will limit the exercise of any right of the Controlling Party with regard to the appointment of a Master Special Servicer or Operating Adviser set forth in Condition 3.

12. Indemnification and Exoneration of the Note Trustee and the Issuer Security Trustee

The Trust Deed, the Deed of Charge and Assignment and certain of the other Transaction Documents contain provisions governing the responsibility (and relief from responsibility) of the Note Trustee and the Issuer Security Trustee and for their respective indemnification in certain circumstances, including provisions relieving them from taking enforcement proceedings or enforcing the Issuer Security unless indemnified to their satisfaction. The Issuer Security Trustee will not be responsible for any loss, expense or liability which may be suffered as a result of any assets comprised in the Issuer Security, or any deeds or documents of title thereto,

being uninsured or inadequately insured or being held by or to the order of other parties to the Transaction Documents, clearing organisations or their operators or by intermediaries such as banks, brokers, depositories, warehousemen or other similar persons whether or not on behalf of the Issuer Security Trustee.

The Issuer Deed of Charge and Assignment, contains provisions pursuant to which the Issuer Security Trustee or any of its related companies is entitled, among other things, (i) to enter into business transactions with the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies and to act as Issuer Security Trustee for the holders of any other securities related to the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties, under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Secured Parties (as defined in the Master Definitions Schedule), and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trust Deed contains provisions pursuant to which the Note Trustee or any of its related companies is entitled, among other things, (i) to enter into business transactions with the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies and to act as Note Trustee for the holders of any other securities issued by or relating to the Issuer and/or any other person who is a party to the Transaction Documents or whose obligations are comprised in the Issuer Security and/or any of their subsidiary or associated companies, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties, under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of the Noteholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith. Neither the Note Trustee nor the Issuer Security Trustee will be obliged to take any action which might result in its incurring personal liabilities unless indemnified to its satisfaction.

The Deed of Charge and Assignment relieves the Issuer Security Trustee of liability for, among other things, not having made or not having caused to be made on its behalf the searches, investigations and enquiries which a prudent chargee would normally have been likely to make in entering into the Deed of Charge and Assignment. The Issuer Security Trustee has no responsibility in relation to the validity, sufficiency and enforceability of the Issuer Security. The Issuer Security Trustee will not be obliged to take any action which might result in its incurring personal liabilities unless indemnified to its satisfaction or to supervise the performance by the Issuer, the Master Servicer, the Master Special Servicer, the Reporting Agent, the Cash Manager, the Liquidity Facility Provider (as defined in the Master Definitions Schedule), the Issuer Swap Provider, the Issuer Swap Guarantor or any other person of their obligations under the Transaction Documents and the Issuer Security Trustee will assume, until it has actual knowledge to the contrary, that all such persons are properly performing their duties, notwithstanding that the Issuer Security (or any part thereof) may, as a consequence, be treated as floating rather than fixed security.

13. Replacement of Notes

If any Global Note or Definitive Note is mutilated, defaced, lost, stolen or destroyed, it may be replaced at the specified office of any Paying Agent or the Registrar upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer, the Registrar or the Note Trustee may reasonably require. Mutilated or defaced Global Notes or Definitive Notes must be surrendered before replacements will be issued.

14. Notice to Noteholders

(a) All notices, other than notices given in accordance with the following paragraphs of this Condition 14, to Noteholders shall be deemed to have been validly given if published in a leading daily newspaper printed in the English language with general circulation in Dublin (which is expected to be *The Irish Times*) or, if that is not practicable, in such English language newspaper or newspapers as the Note Trustee approves having a general circulation in Ireland and the rest of Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication shall have been made in the newspaper or newspapers in which publication is required. For so long as the Notes of any class are represented by Global Notes, notices to Noteholders will be validly given if published as described above or, for so

long as the Notes are listed on the Irish Stock Exchange and the rules of the Irish Stock Exchange so allow, at the option of the Issuer, if delivered to the Registrar for communication by it to Euroclear and/or Clearstream, Luxembourg and/or to DTC for communication by them to their participants and for communication by such participants to entitled accountholders. Any notice delivered to Euroclear and/or Clearstream, Luxembourg and/or DTC as aforesaid shall be deemed to have been given on the day on which it is delivered to the Registrar.

(b) Any notice specifying a Note Principal Payment, Interest Payment Date, Pool Factor, a Rate of Interest, an Interest Amount or a Principal Amount Outstanding shall be deemed to have been duly given if the information contained in such notice appears on the relevant page of the Reporting Agent's internet website currently located at www.ctslink.com or such other medium for the electronic display of data as may be previously approved in writing by the Note Trustee and notified to the Noteholders pursuant to Condition 14*(a)*. Any such notice shall be deemed to have been given on the first date on which such information appeared on the relevant screen. If it is impossible or impractical to give notice in accordance with this paragraph then notice of the matters referred to in this paragraph shall be given in accordance with Condition 14*(a)*.

(c) A copy of each notice given in accordance with this Condition 14 shall be provided to (for so long as the Notes of any class are listed on the Irish Stock Exchange) the Company Announcements Office of the Irish Stock Exchange and at all times to Fitch Ratings Ltd. ("**Fitch**") and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("**S&P**" and, together with Fitch, the "**Rating Agencies**", which reference in these Conditions shall include any additional or replacement rating agency appointed by the Issuer, with the prior written approval of the Note Trustee, to provide a credit rating in respect of the Notes or any class thereof), with a copy to the Registrar. For the avoidance of doubt, and unless the context otherwise requires, all references to "rating" and "ratings" in these Conditions shall be deemed to be references to the ratings assigned by the Registrar Rating Agencies.

(d) The Note Trustee shall be at liberty to sanction some other method of giving notice to the Noteholders or to a class or category of them if, in its opinion, such other method is reasonable having regard to market practice then prevailing and to the requirements of the stock exchange on which the Notes are then listed and provided that notice of such other method is given to the Noteholders in such manner as the Note Trustee shall require.

15. Subordination

(a) Interest

Subject to Condition 10 and for so long as any Class A Note is outstanding, in the event that, on any Interest Payment Date, the Available Interest Receipts, after deducting the amounts referred to in items (a) to (c) of Clause 6.3.1 of the Deed of Charge and Assignment (in the case of the Class B Notes); and items (a) to (d) of Clause 6.3.1 of the Deed of Charge and Assignment (in the case of the Class C Notes), and items (a) to (e) of Clause 6.3.1 of the Deed of Charge and Assignment (in the case of the Class D Notes) respectively, (each such amount with respect to the relevant class of Notes, an "**Interest Residual Amount**"), are not sufficient to satisfy in full the Interest Amount due and payable on the Class B Notes, the Clause C Notes and the Class D Notes, respectively, on such Interest Payment Date, there shall instead be payable on such Interest Payment Date, by way of interest on each Class B Note and/or Class C Note and/or Class D Note, as the case may be, only a *pro rata* share of the Interest Residual Amount attributable to the relevant class or classes of Notes on such Interest Payment Date, calculated by dividing the original principal amount outstanding of each such Class B Note, Class C Note or Class D Note, as the case may be, by the aggregate principal amount of the Class B Notes, the Class C Notes and Class D Note as at the Closing Date, as the case may be, and multiplying the result by the relevant Interest Residual Amount, and then rounding down to the nearest penny.

If on any Interest Payment Date an insufficiency of the type described in the preceding paragraph exists in relation to the Notes the Issuer shall create a provision in its accounts for the shortfall equal to the amount by which the aggregate amount of interest paid on the Class B Notes, the Class C Notes, and/or the Class D Notes, as the case may be, on any Interest Payment Date in accordance with this Condition 15*(a)* falls short of the Interest Amount due on the Class B Notes, the Class C Notes or the Class D Notes, as the case may be, on that date pursuant to Condition 4. Such shortfall shall itself accrue

interest at the same rate as that payable in respect of the Class B Notes, the Class C Notes or the Class D Notes, as applicable, and shall be payable together with such accrued interest on the earlier of (x) any succeeding Interest Payment Date if and to the extent that, on such Interest Payment Date, the Available Interest Receipts, after deducting the amounts referred to in items (a) to (c) of Clause 6.3.1 of the Deed of Charge and Assignment (in the case of the Class B Notes); and items (a) to (d) of Clause 6.3.1 of the Deed of Charge and Assignment (in the case of the Class C Notes); items (a) to (e) of Clause 6.3.1 of the Deed of Charge and Assignment (in the case of the Class D Notes); respectively, are, in any such case, sufficient to make such payment, or (y) the date on which the relevant Notes are due to be redeemed in full.

In the event that no Class A Note is outstanding, the provisions in this Condition 15(*a*) shall apply, *mutatis mutandis*, save that reference to the most senior class of Notes outstanding at that time and all references to classes of Notes that were, prior to their redemption, senior to that class of Notes shall be deleted.

(b) Principal

Subject to Condition 5*(b)*, Condition 9 and Condition 10, while any Class A Notes are outstanding, the Class B Noteholders, the Class C Noteholders and the Class D Noteholders shall not be entitled to any repayment of principal in respect of the Class B Notes, the Class C Notes, or the Class D Notes, respectively. Subject to Condition 5*(b)*, while any Class B Notes are outstanding, the Class C Noteholders, and the Class D Noteholders shall not be entitled to any repayment of principal in respect of the Class C Notes, the Class D Noteholders, respectively. Subject to Condition 5*(b)*, while any Class C Notes are outstanding, the Class D Noteholders shall not be entitled to any repayment of principal in respect of the Class D Notes.

(c) Notification

As soon as practicable after becoming aware that any part of a payment of interest on the Class B Notes, the Class C Notes or the Class D Notes, as the case may be, will be deferred or that a payment previously deferred will be made in accordance with this Condition 15, the Issuer will give notice thereof to the Class B Noteholders, the Class C Noteholders or the Class D Noteholders, as the case may be, in accordance with Condition 14 and, so long as the Notes are listed on the Irish Stock Exchange, to the Irish Stock Exchange.

16. Privity of Contract

No person shall have any right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of these Conditions, but this does not affect any right or remedy of a third party which exists or is available apart from the Contracts (Rights of Third Parties) Act 1999.

17. Governing Law

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

18. U.S. Federal Income Tax Treatment and Provision of Information

(a) It is the intention of the Issuer, each Noteholder and each beneficial owner ("**Owner**") of an interest in the Notes that the Class A Notes, the Class B Notes and the Class C Notes will be indebtedness of the Issuer and the Class D Notes, although denominated as debt, will be treated as equity in the Issuer for United States federal, state and local income and franchise tax purposes and for the purposes of any other United States federal, state and local tax imposed on or measured by income (the "**Intended U.S. Tax Treatment**"). To the extent applicable and absent a final determination to the contrary, the Issuer and each Noteholder and Owner, by acceptance of a Note, or a beneficial interest therein, agree to treat each class of Notes, for purposes of United States federal, state and local income or franchise taxes and any other United States federal, state and local taxes imposed on or measured by income, consistently with the Intended U.S. Tax Treatment and to report each class of Notes on all applicable tax returns in a manner consistent with such treatment.

(b) For so long as any Notes remain outstanding and are "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), the Issuer shall, during any period in which it is neither subject to Section 13 or Section 15(d) of the United States Exchange Act of 1934, as amended (the "**Exchange Act**") nor exempt from reporting pursuant to rule 12g3-2(b) thereunder, furnish, at its expense, to any holder of, or Owner of an interest in, such Notes in connection with any resale thereof and to any prospective purchaser designated by such holder or Owner, in each case upon request, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

USE OF NET PROCEEDS

The net proceeds from the issue of the Notes will be approximately £347,758,000. This sum will be applied by the Issuer towards payment to (a) the MS Loan Originator of the purchase consideration in respect of the MS Loans and interest accrued thereon, and the MS Loan Originator's beneficial interests in the MS Loan Security Trusts comprising the MS Loan Related Security and (b) the HRE Loan Originator of the purchase consideration in respect of the Lloyds Building Loan and interest accrued thereon, and the HRE Loan Originator's beneficial interests in the HRE Loan Security Trusts comprising the HRE Loan Related Security, each to be purchased on the Closing Date pursuant to the MS Loan Sale Agreement and the HRE Loan Sale Agreement, respectively. Fees, commissions and expenses incurred by the Issuer in connection with the issue of the Notes will be met by Hypo Real Estate Bank International and Morgan Stanley & Co. International Limited.

UNITED KINGDOM TAXATION

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

Interest on the Notes

1. Withholding tax on payments of interest on the Notes

For so long as the Notes are and continue to be listed on a "recognised stock exchange" within the meaning of section 841 of the Income and Corporation Taxes Act 1988 (the Irish Stock Exchange is such a "recognised stock exchange" for this purpose) interest payments on each of the Notes will be treated as a "payment of interest on a quoted Eurobond" within the meaning of section 349 of the Income and Corporation Taxes Act 1988. In these circumstances, payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax irrespective of whether the Notes are in global form or in definitive form.

If the Notes cease to be listed on a recognised stock exchange, an amount must be withheld on account of United Kingdom income tax at the lower rate (currently 20 per cent.) from interest paid on them, subject to any direction to the contrary from H.M. Revenue & Customs in respect of such relief as may be available pursuant to the provisions of an applicable double taxation treaty or to the interest being paid to the persons (including companies within the charge to United Kingdom corporation tax) and in the circumstances specified in sections 349A to 349D of the Income and Corporation Taxes Act 1988.

2. Further United Kingdom income tax issues for non-United Kingdom resident Noteholders

Interest on the Notes constitutes United Kingdom source income and, as such, may be subject to income tax by direct assessment even where paid without withholding, subject to such relief as may be available pursuant to the provisions of an applicable double taxation treaty.

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

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

United Kingdom corporation tax payers

In general, Noteholders which are within the charge to United Kingdom corporation tax in respect of Notes will be charged to tax and obtain relief as income on all returns on and fluctuations in value of the Notes broadly in accordance with their statutory accounting treatment.

Other United Kingdom tax payers

1. Taxation of chargeable gains

It is expected that the Notes will not be regarded by H.M. Revenue & Customs as constituting "qualifying corporate bonds" within the meaning of Section 117 of the Taxation of Chargeable Gains Act 1992.

Accordingly, a disposal of the Notes may give rise to a chargeable gain or an allowable loss for the purposes of the United Kingdom taxation of chargeable gains. There are provisions to prevent any particular gain (or loss) from being charged (or relieved) at the same time under these provisions and also under the provisions of the "accrued income scheme" described in paragraph 2 below.

2. Accrued income scheme

On a disposal of Notes by a Noteholder, any interest which has accrued since the last Interest Payment Date may be chargeable to tax as income under the rules of the "accrued income scheme" if that Noteholder is resident or ordinarily resident in the United Kingdom or carries on a trade in the United Kingdom through a branch or agency to which the Notes are attributable.

Stamp Duty and SDRT

No United Kingdom stamp duty or stamp duty reserve tax is payable on the issue of the Global Notes or of a Definitive Note.

EU Directive on Taxation of Certain Interest Payments

The EU has adopted a directive regarding the taxation of savings income, under which EU member states are required from 1st July, 2005 to provide to the tax authorities of other EU member states details of payments of interest and other similar income paid by a person to an individual in another EU member state, except that Austria, Belgium and Luxembourg will instead impose a withholding system for a transitional period unless during such period they elect otherwise.

UNITED STATES FEDERAL INCOME TAXATION

The following is a summary of certain United States federal income tax considerations for original purchasers of the Notes that use the accrual method of accounting for United States federal income tax purposes and that hold the Notes as capital assets. This summary does not discuss all aspects of United States federal income taxation that might be important to particular investors in light of their individual investment circumstances, such as investors subject to special tax rules (e.g., financial institutions, insurance companies, tax-exempt institutions, non-United States persons engaged in a trade or business within the United States, or persons the functional currency of which is not the United States dollar). In particular, investors not using the accrual method of accounting for United States federal income tax purposes may be subject to rules not described herein. In addition, this summary does not discuss any non-United States federal, state, or local tax considerations. This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), and administrative and judicial authorities, all as in effect on the date hereof and all of which are subject to change, possibly on a retroactive basis. Prospective investors should consult their United States tax advisors regarding the federal, state, local, and non-United States income and other tax considerations of owning the Notes. No rulings will be sought from the United States Internal Revenue Service (the "**IRS**") with respect to the United States federal income tax consequences described below.

Any discussion of United States federal tax issues set forth in this Prospectus is written in connection with the promotion and marketing by the Issuer and Managers of the transaction described in this Prospectus. Such discussion is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any United States federal income tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances from an independent tax advisor.

For purposes of this summary, a "United States holder" means a beneficial owner of a Note that is, for United States federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or partnership created or organised in or under the laws of the United States or of any political subdivision thereof, or (iii) an estate (other than a foreign estate described in section 7701(a)(31)(A) of the Code, or (iv) a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of such trust. A "non-United States holder" means a beneficial owner of a Note that is not a United States holder.

United States persons and non-United States persons who own an interest in a holder that is treated as a pass-through entity under the Code will generally receive the same tax treatment with respect to the material tax consequences of their indirect ownership of the Notes as is described herein for direct United States holders and non-United States holders, respectively. Nonetheless, such persons should consult their United States tax advisors with respect to their particular circumstances, including issues related to tax elections and information reporting requirements.

Class X Certificates

The Class X Certificates are not being offered and sold pursuant to this Prospectus in connection with the issuance of the Notes and there is no direct authority under current law addressing the purchase, ownership and disposition of the Class X Certificates and the treatment of payments made in relation thereto for United States federal income tax purposes. This summary does not discuss the material United States federal income tax consequences resulting from the purchase, ownership or disposition of an interest in the Class X Certificates and, hence, does not constitute tax advice regarding the treatment of the Class X Certificates for United States federal income tax purposes. Holders of an interest in the Class X Certificates are urged to consult with their United States tax advisors regarding the federal, state, and local income and other tax consequences of owning an interest in the Class X Certificates, including the possibility that the Class X Certificates may be characterized as debt or equity of the Issuer, as assignable contract rights or as a notional principal contract for United States federal income tax purposes.

Characterisation of the Notes

The Issuer intends to take the position that, while the matter is not clear and there is no authority directly on point, (A) the Notes, other than the Class D Notes (collectively, the "**Priority Notes**"), are debt of the Issuer for United States federal income tax purposes and (B) the Class D Notes are equity in the Issuer for United States federal income tax purposes. However, because of the subordination and other features of the Class C Notes

(and to a lesser extent, more senior classes of the Priority Notes) and because the characterization of the Class X Certificates for United States federal income tax purposes is not entirely clear, there is a significant possibility that the IRS could contend that some or all of the Priority Notes should be treated as equity in the Issuer for United States federal income tax purposes. For further information, see "Possible Alternative Characterisations of the Notes," "Distributions on the Class D Notes to United States holders" and "Dispositions of a Class D Note by United States holders" below. The Issuer intends to take the position that the Class D Notes are equity in the Issuer for United States federal income tax purposes because there is a strong likelihood that, under United States federal income tax principles, the Class D Notes, although denominated as debt, will be treated as equity.

Absent a final determination to the contrary, the Issuer and each Noteholder and Owner, by acceptance of a Note or a beneficial interest therein, agree to treat (A) the Priority Notes as debt and (B) the Class D Notes as equity for purposes of United States federal, state and local income or franchise taxes and any other United States, federal, state and local taxes imposed on or measured by income and each agrees to report its ownership interest in one or more classes of Notes on all applicable tax returns in a manner consistent with such treatment. In general, the characterization of an instrument for United States federal income tax purposes as debt or equity by its issuer as of the time of issuance is binding on a holder (but not the IRS), unless the holder takes an inconsistent position and discloses such position in its United States federal tax return. The Issuer will not obtain any rulings from the IRS or opinions of counsel on the characterisation of the Notes and the Class X Certificates and there can be no assurance that the IRS or the courts will agree with the positions of the Issuer. Unless otherwise indicated, the discussion in the following paragraphs assumes the characterisations of the Priority Notes as debt and the Class D Notes as equity are correct for United States federal income tax purposes.

The following paragraphs are also based on the assumption that the Issuer will not be engaged in a trade or business within the United States to which the income from the Notes is effectively connected.

Interest Income on the Priority Notes to United States Holders

In General

The Priority Notes will not be issued with original issue discount ("**OID**") for United States federal income tax purposes (as discussed below), and, as a result, because interest on the Priority Notes is paid in arrear on each Interest Payment Date, interest on the Priority Notes will be taxable to a United States holder as ordinary income at the time it is accrued prior to the receipt of cash attributable to that income.

A Priority Note will be considered issued with OID if its "stated redemption price at maturity" exceeds its "issue price" (i.e., the price at which a substantial portion of the respective class of Priority Notes is first sold (not including sales to the Managers)) by an amount equal to or greater than 0.25 per cent. of such Priority Note's stated redemption price at maturity multiplied by such Priority Note's weighted average maturity ("**WAM**"). In general, a Priority Note's "stated redemption price at maturity" is the sum of all payments to be made on the Priority Note other than payments of "qualified stated interest." The WAM of a Priority Note is computed based on the number of full years each distribution of principal (or other amount included in the stated redemption price at maturity) is scheduled to be outstanding. The schedule of such likely distributions should be determined in accordance with the assumed rate of prepayment (the "**Prepayment Assumption**") used in pricing the Priority Notes. The pricing of the Priority Notes is calculated on the basis of the expected amortisation payments of the Loans on the assumption that there will be no prepayments of the Loans.

In general, interest on the Priority Notes will constitute "qualified stated interest" only if such interest is "unconditionally payable" at least annually at a single fixed or qualifying variable rate (or permitted combination of the foregoing) within the meaning of applicable United States Treasury Regulations. Interest will be considered "unconditionally payable" for these purposes if legal remedies exist to compel timely payment of such interest or if the Priority Notes contain terms and conditions that make the likelihood of late payment or non-payment "remote". Although the Conditions of the Notes provide that a holder cannot compel the timely payment of any interest accrued in respect of the Priority Notes (other than the Class A Notes), Treasury Regulations provide that in determining whether interest is unconditionally payable the possibility of non-payment due to default, insolvency or similar circumstances is ignored. Accordingly, the Issuer intends to take the position that interest payments on the Priority Notes constitute "qualified stated interest". It is possible that the IRS could take a contrary position, in which case it is anticipated that the Priority Notes would be treated as OID instruments for United States tax purposes.

Sourcing

Interest on a Priority Note will constitute foreign source income for United States federal income tax purposes. Subject to certain limitations, United Kingdom withholding tax, if any, imposed on payments on the Priority Notes will generally be treated as a foreign tax eligible for credit against a United States holder's United States federal income tax (unless such tax is refundable under United Kingdom law or a United Kingdom – United States income tax treaty). For foreign tax credit purposes, interest will generally be treated as foreign source passive income (or, in the case of certain United States holders, financial services income).

Foreign Currency Considerations

A United States holder that receives a payment of interest in sterling with respect to the Priority Notes will be required to include in income the United States dollar value of the amount of interest income that has accrued and is otherwise required to be taken into account with respect to the Priority Notes during an accrual period. The United States dollar value of such accrued income will be determined by translating such income at the average rate of exchange for the accrual period or, with respect to an accrual period that spans two taxable years, at the average rate for the partial period within the relevant taxable year. In addition, such United States holder will recognise additional exchange gain or loss, treated as ordinary income or loss, with respect to accrued interest income on the date such income is actually received or the applicable Priority Note is disposed of. The amount of ordinary income or loss recognised will equal the difference between (i) the United States dollar value of the sterling payment received (determined at the spot rate on the date such payment is received or the applicable Priority Note is disposed of) in respect of such accrual period and (ii) the United States dollar value of interest income that has accrued during such accrual period (determined at the average rate as described above). Alternatively, a United States holder may elect to translate interest income into United States dollars at the spot rate on the last day of the interest accrual period (or, in the case of a partial accrual period, the spot rate on the last day of the taxable year) or, if the last day of the interest accrual period is within five business days of the date of receipt, the spot rate on the date of receipt. A United States holder that makes such an election must apply it consistently to all debt instruments from year to year and cannot change the election without the consent of the IRS.

Disposition of Priority Notes by United States Holders

In General

Upon the sale, exchange or retirement of a Priority Note, a United States holder will recognise taxable gain or loss equal to the difference between the amount realised on the sale, exchange or retirement and the United States holder's adjusted tax basis in the Priority Note. For these purposes, the amount realised does not include any amount attributable to accrued interest on the Priority Note (which will be treated as interest as described under "Interest Income on the Priority Notes of United States Holders" above). A United States holder's adjusted tax basis in a Priority Note generally will equal the cost of the Priority Note to the United States holder, decreased by any payments (other than payments of qualified stated interest) received on the Priority Note.

In general, except as described below, gain or loss realised on the sale, exchange or redemption of a Priority Note will be capital gain or loss.

Foreign Currency Considerations

A United States holder's tax basis in a Priority Note, and the amount of any subsequent adjustment to such United States holder's tax basis, will be the United States dollar value of the sterling amount paid for such Priority Note, or of the sterling amount of the adjustment, determined at the spot rate on the date of such purchase or adjustment. A United States holder that purchases a Priority Note with previously owned sterling will recognise ordinary income or loss in an amount equal to the difference, if any, between such United States holder's tax basis in the sterling and the United States dollar value of the sterling on the date of purchase.

Gain or loss realised upon the receipt of a principal payment on, or the sale, exchange or retirement of, a Priority Note that is attributable to fluctuations in currency exchange rates will be treated as ordinary income or loss which will not be treated as interest income or expense. Gain or loss attributable to fluctuations in exchange rates will equal the difference between (i) the United States dollar value of the applicable sterling principal amount of such Priority Note, and any payment with respect to accrued interest, translated at the spot rate on the date such payment is received or such Priority Note is disposed of, and (ii) the United States dollar

value of the applicable sterling principal amount of such Priority Note, on the date such holder acquired such Priority Note, and the United States dollar amounts previously included in income in respect of the accrued interest received at the spot rate on that day. Such foreign currency gain or loss will be recognised only to the extent of the total gain or loss realised by a United States holder on the sale, exchange or retirement of the Priority Note. The source of such sterling gain or loss will be determined by reference to the residence of the United States holder or the qualified business unit of the United States holder on whose books the Priority Note is properly reflected.

A United States holder will have a tax basis in any sterling received on the receipt of principal on, or the sale, exchange or retirement of, a Priority Note equal to the United States dollar value of such sterling, determined at the time of such receipt, sale, exchange or retirement. Any gain or loss realised by a United States holder on a subsequent sale or other disposition of sterling (including its exchange for United States dollars) will generally be ordinary income or loss.

Taxation of Priority Notes to Non-United States Holders

A non-United States holder of the Priority Notes will be exempt from any United States federal income or withholding taxes with respect to the gain derived from the sale, exchange or retirement or any payments received in respect of the Priority Notes, unless such gain or payments are effectively connected with a United States trade or business of such holder, or such holder is a non-resident alien individual who holds the Priority Notes as a capital asset and who is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are satisfied.

Possible Alternative Characterisations of the Priority Notes

In General

Although, as described above, the Issuer intends to take the position that the Priority Notes will be treated as debt for United States federal income tax purposes, such position is not binding on the IRS or the courts and therefore no assurance can be given that such characterisation will prevail. In particular, because of the subordination and other features of the Class C Notes (and to a lesser extent, more senior classes of Notes) and because the characterisation of the Class X Certificates for United States federal income tax purposes is not entirely clear, there is a significant possibility that the IRS could contend that some or all of the Priority Notes should be treated as equity in the Issuer for United States federal income tax purposes.

The timing and character of income under the Priority Notes may differ substantially depending on whether the Priority Notes are treated as debt or equity for United States federal income tax purposes. If one or more classes of Priority Notes were treated as equity interests in the Issuer (any such Note, a "**Recharacterised Note**"), such Recharacterised Notes and the treatment of payments made in relation thereto for United States federal income tax purposes would be substantially similar to the discussion with respect to the Class D Notes below under "Distributions on the Class D Notes to United States Holders" and "Disposition of Class D Notes by United States Holders". Prospective investors should consult their own United States tax advisors with respect to the potential impact of an alternative characterisation of the Priority Notes for United States federal income tax purposes, including the making of a protective QEF election under the passive foreign investment company rules of the Code at the time when an investor acquires its ownership interest in the Priority Notes.

Distributions on the Class D Notes to United States Holders

Except as provided below, a United States holder of a Class D Note is required to include in income payments of "interest" as distributions on equity of the Issuer (with no dividends received deduction available to corporate United States holders). In addition, unless the Issuer is treated as being engaged in a U.S. trade or business, generally, "interest" income derived by a United States holder of a Class D Note with respect to a Class D Note which is treated as equity should constitute foreign source income that will be treated as passive income for United States foreign tax credit purposes (or, in the case of certain United States holders, financial services income). "Dividend" income derived by a United States holder of a Class D Note will not be eligible for the preferential income tax rates provided by the Jobs and Growth Tax Relief Reconciliation Act of 2003. Each United States holder of a Class D Note should consult its own United States tax advisors as to how it should treat this income for purposes of its particular foreign tax credit calculation.

Investment in a Passive Foreign Investment Company.

The Issuer expects to be treated as a "passive foreign investment company" (a "**PFIC**"). United States holders of Class D Notes will be considered United States shareholders in a PFIC (each, a "**U.S. shareholder**"). In general, a U.S. shareholder in a PFIC may desire to make an election to treat the Issuer as a qualified electing fund ("**QEF**") with respect to such U.S. shareholder. Generally, a QEF election should be made on or before the due date for filing a U.S. shareholder's federal income tax return for the first taxable year for which it held Class D Notes. An electing U.S. shareholder will be required to include in gross income such U.S. shareholder's *pro rata* share of the Issuer's ordinary earnings and to include as long-term capital gain such U.S. shareholder's *pro rata* share of the Issuer's net capital gain, whether or not distributed, assuming that the Issuer does not constitute a controlled foreign corporation in which the U.S. shareholder is a U.S. Shareholder, as discussed further below. A United States holder will not be eligible for the dividends received deduction in respect of such income or gain. In addition, any losses of the Issuer in a taxable year will not be available to such United States holder. In certain cases in which a QEF does not distribute all of its earnings in a taxable year, U.S. shareholders may also be permitted to elect generally to defer payment of the taxes on the QEF's undistributed earnings until such amounts are distributed or the Class D Notes are disposed of, subject to an interest charge on the deferred amount. In this respect, prospective purchasers of Class D Notes should be aware that the Issuer may have significant earnings, but distributions attributable to such earnings may be deferred, perhaps for a substantial period of time. Thus, absent an election to defer payment of taxes, U.S. shareholders of the Issuer that make a QEF election may owe tax on significant "phantom" income.

In addition, it should be noted that if the Issuer disposes of mortgage loans or other investments that are not in registered form, a U.S. shareholder making a QEF election (i) may not be permitted to take a deduction for any loss attributable to such obligations and (ii) may be required to treat earnings as ordinary income even though such earnings would otherwise constitute capital gains.

The Issuer does not intend to provide information to holders of the Class D Notes (or any other class of Notes that is treated as equity for U.S. federal income tax purposes) that a U.S. shareholder making a QEF election will need for U.S. federal income tax reporting purposes (*e.g.*, the U.S. shareholder's *pro rata* share of ordinary income and net capital gain as computed for U.S. federal income tax purposes) and the Issuer will not provide a PFIC Annual Information Statement as described in Treasury Regulations. U.S. shareholders that are considering making a QEF election should consult their United States tax advisors with respect to their particular circumstances, including issues related to their annual U.S. federal income tax reporting obligations under the PFIC rules and the computations required to effect a QEF election.

A U.S. shareholder that holds "marketable stock" in a PFIC may also avoid certain unfavourable consequences of the PFIC rules by electing to mark the Class D Notes to market as of the close of each taxable year. A U.S. shareholder that made the mark-to-market election would be required to include in income each year as ordinary income an amount equal to the excess, if any, of the fair market value of the Class D Notes at the close of the year over the U.S. shareholder's adjusted tax basis in the Class D Notes. For this purpose, a U.S. shareholder's adjusted tax basis generally would be the U.S. shareholder's cost for the Class D Notes, increased by the amount previously included in the U.S. shareholder's income pursuant to this mark-to-market election and decreased by any amount previously allowed to the U.S. shareholder as a deduction pursuant to such election (as described below). If, at the close of the year, the U.S. shareholder's adjusted tax basis exceeded the fair market value of the Class D Notes, then the U.S. shareholder would be allowed to deduct any such excess from ordinary income, but only to the extent of net mark-to-market gains on such Class D Notes previously included in income. Any gain from the actual sale of the Class D Notes would be treated as ordinary income, and to the extent of net mark-to-market gains previously included in income any loss would be treated as ordinary loss. Class D Notes would be considered "marketable stock" in a PFIC for these purposes only if they were regularly traded on an exchange which the IRS determines has rules adequate for these purposes. Application has been made to the Official List of the Irish Stock Exchange for listing of the Notes. However, there can be no assurance that the Notes will be listed on the Official List of the Irish Stock Exchange, that the Class D Notes will be "regularly traded" or that such exchange would be considered a qualified exchange for these purposes.

If a U.S. shareholder does not make a QEF election or mark-to-market election and the PFIC rules are otherwise applicable, a U.S. shareholder that has held such Class D Notes during more than one taxable year would be required to report any gain on disposition of any Class D Notes as ordinary income and to compute the tax liability on such gain and certain excess distributions as if the items had been earned ratably over each day in the U.S. shareholder's holding period for the Class D Notes and would be subject to the highest ordinary

income tax rate for each prior taxable year in which the items were treated as having been earned, regardless of the rate otherwise applicable to the U.S. shareholder. Such U.S. shareholder would also be liable for an additional tax equal to interest on the tax liability attributable to such income allocated to prior years as if such liability had been due with respect to each such prior year. An excess distribution is the amount by which distributions during a taxable year in respect of a Class D Note exceed 125 per cent. of the average amount of distributions in respect thereof during the three preceding taxable years (or, if shorter, the U.S. shareholder's holding period for the Class D Note). Because the Class D Notes pay "interest" at a floating rate, it is possible that a United States holder will received excess distributions as a result of fluctuations in the rate of LIBOR over the term of the Class D Notes. U.S. shareholders of Class D Notes should consider carefully whether to make a QEF election or mark-to-market election with respect to the Class D Notes and the consequences of not making such an election.

Investment in a Controlled Foreign Corporation.

Depending on a United States holder's degree of ownership of the equity interests in the Issuer, the Issuer may constitute a controlled foreign corporation (a "**CFC**"). In general, a foreign corporation will constitute a CFC if more than 50 per cent. of the shares of the corporation, measured by reference to combined voting power or value, are held, directly or indirectly, by U.S. Shareholders. For this purpose, a "U.S. Shareholder" is any person that is a United States person for United States federal income tax purposes that possesses (actually or constructively) 10 per cent. or more of the combined voting power of all classes of shares of a corporation (persons who own interests in a U.S. pass-through entity that is a U.S. Shareholder will also be subject to the CFC rules). United States holders possessing 10 per cent. or more of such Class D Notes are U.S. Shareholders. If more than 50% of the equity interests in the Issuer were held by such U.S. Shareholders, the Issuer would be treated as a CFC.

If the Issuer should be treated as a CFC, a U.S. Shareholder would be treated, subject to certain exceptions, as receiving a dividend at the end of the taxable year of the Issuer an amount equal to that person's *pro rata* share of the "subpart F income" and certain U.S. source income of the Issuer. Among other items, and subject to certain exceptions, "subpart F income" includes dividends, interest, annuities, gains from the sale of shares and securities, certain gains from commodities transactions, certain types of insurance income and income from certain transactions with related parties. It is anticipated that all of the Issuer's income would be subpart F income.

If the Issuer should be treated as a CFC, a U.S. Shareholder would be taxable on the Issuer's subpart F income under the CFC rules and not under the PFIC rules. As a result, to the extent subpart F income of the Issuer includes net capital gains, such gains will be treated as ordinary income of the U.S. Shareholder under the CFC rules, notwithstanding the fact that the character of such gains generally would otherwise be preserved under the PFIC rules if a QEF election were made.

United States holders of the Class D Notes should consult their United States tax advisors as to timing and character mismatches that may result from the Issuer being treated as a PFIC or CFC.

Distributions on Class D Notes.

The treatment of actual distributions on the Class D Notes, in very general terms, will vary depending on (A) (i) whether a United States holder has made a timely QEF election as described above, and (ii) the U.S. shareholder's *pro rata* share of the Issuer's ordinary earnings (as determined under the Code) and the U.S. shareholder's *pro rata* share of the Issuer's net capital gain for the United States holder's taxable year in which or with which the taxable year of the Issuer ends, and (B) whether a United States holder has made a timely mark-to-market election as described above. See "Investment in a Passive Foreign Investment Company". If a timely QEF election has been made, distributions should be allocated first to amounts previously taxed pursuant to the QEF election (or pursuant to the CFC rules, if applicable) and to this extent would not be taxable to United States holders. Distributions in excess of such previously taxed amounts will be treated first as a nontaxable return of capital and then as capital gain.

In the event that a United States holder does not make a QEF election or a mark-to-market election, then except to the extent that distributions may be attributable to amounts previously taxed pursuant to the CFC rules, some or all of any distributions with respect to the Class D Notes may constitute excess distributions, taxable as previously described in *"Investment in a Passive Foreign Investment Company"* above.

A United States holder will determine the US dollar value of a distribution which is denominated in sterling made on a Class D Notes (or any other class of Notes which is treated as equity for U.S. federal income tax purposes) by translating the sterling payment at the spot rate of exchange on the date of such distribution.

Disposition of Class D Notes by United States Holders

Sale, Redemption or Other Disposition on Class D Notes.

In general, a United States holder of a Class D Note will recognize gain or loss upon the sale or other disposition of a Class D Note equal to the difference between the amount realized and such holder's adjusted tax basis in the Class D Note. If a United States holder has made a timely QEF selection as described above, such gain or loss will be long-term capital gain or loss if the United States holder held the Class D Notes for more than 12 months at the time of the disposition. If a United States holder has made a timely mark-to-market election, such gain or loss will tax as discussed above under *"Investment in a Passive Foreign Investment Company"* above.

Initially, the tax basis of a United States holder should equal the amount paid for a Class D Note. Such basis will be increased by amounts taxable to such holder by virtue of a QEF election, mark-to-market election or the CFC rules and decreased by actual distributions from the Issuer that are deemed to consist of such previously taxed amounts or are treated as nontaxable returns of capital.

If a United States holder does not make a QEF election or mark-to-market election, any gain realized on the sale or exchange of a Class D Note will be subject to an interest charge and taxed as ordinary income. For further information, see *"Investment in a Passive Foreign Investment Company"* above.

If the Issuer were treated as a CFC and a United States holder were treated as a U.S. Shareholder therein, then any gain realized by such holder upon the disposition of Class D Notes would be treated as ordinary income to the extent of the current and accumulated earnings and profits of the Issuer. In this respect, earnings and profits would not include any amounts previously taxed pursuant to a timely QEF election or pursuant to the CFC rules.

A United States holder will determine the US dollar value of amounts realized which are denominated in sterling from the sale, redemption or other disposition of a Class D Note (or any other class of Notes which is treated as equity for U.S. federal income tax purposes) by translating the sterling payment at the spot rate of exchange on the date of such sale, redemption or other disposition.

Taxation of Class D Notes to Non-United States Holders

A non-United States holder of the Class D Notes will be exempt from any U.S. federal income or withholding taxes with respect to gain derived from the sale, exchange, or retirement or any payments received in respect of the Class D Notes, unless such gain or payments are effectively connected with a U.S. trade or business of such holder, or such holder is a non-resident alien individual who holds the Class D Notes as a capital asset and who is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are satisfied.

Information Reporting Requirements

The Treasury Department has issued regulations with regard to reporting requirements relating to the transfer of property (including certain transfers of cash) to a foreign corporation by United States persons or entities. In general, these rules require United States holders who acquire Notes that are characterized (in whole or in part) as equity of the Issuer to file a Form 926 with the IRS and to supply certain additional information to the IRS. In the event a United States holder fails to file any such required form, the United States holder may be subject to a penalty equal to 10 per cent. of the fair market value of the Notes as of the date of purchase (generally up to a maximum penalty of U.S.$100,000 in the absence of intentional disregard of the filing requirement; in case of intentional disregard, no maximum applies). In addition, if (i) United States holders acquire Notes that are recharacterised as equity of the Issuer and (ii) the Issuer is treated as a "controlled foreign corporation" for United States federal income tax purposes, certain of those United States holders will generally be subject to additional information reporting requirements (e.g., certain United States holders will be required to file a Form 5471). Prospective investors should consult with their United States tax advisors concerning the additional information reporting requirements with respect to holding equity interest in foreign corporations.

Share Capital of the Issuer

The Issuer intends to treat the Share Capital in the Issuer as equity for United States federal income tax purposes. The Issuer will allocate for United States federal income tax purposes any item of income that is not paid in relation to the Notes and the Class X Certificates or as Deferred Consideration to each Originator to the owner of the Share Capital.

Realised Losses

It is anticipated that each class of Notes will be treated as a "security" as defined in section 165(g)(2) of the Code. Accordingly, any loss with respect to the Notes as a result of one or more realised losses on the Loans will be treated as a loss from the sale or exchange of a capital asset at that time. In addition, no loss will be permitted to be recognised until the Notes are wholly worthless.

Each United States holder will be required to accrue interest with respect to a Priority Note without giving effect to any reductions attributable to defaults on the assumption that no defaults or delinquencies occur with respect to the Loans until it can be established that those payment reductions are not receivable. Accordingly, particularly with respect to the Class C Notes, the amount of taxable income reported during the early years of the term of the Priority Notes may exceed the economic income actually realised by the holder during that period. Although the United States holder of a Priority Note would eventually recognise a loss or reduction in income attributable to the previously accrued income that is ultimately not received as a result of such defaults, the law is unclear with respect to the timing and character of such loss or reduction in income.

Backup Withholding and Information Reporting

Information reporting to the IRS generally will be required with respect to payments of principal or interest or to distributions on the Notes and to proceeds of the sale of the Notes that, in each case, are paid by a United States payor or intermediary to United States holders other than corporations and other exempt recipients. "Backup" withholding tax will apply to those payments if such United States holder fails to provide certain identifying information (including such holder's taxpayer identification number) to such payor, intermediary or other withholding agent or such holder is notified by the IRS that it is subject to backup withholding. Non-United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding tax is not an additional tax and generally may be credited against a holder's United States federal income tax liability provided that such holder provides the necessary information to the IRS.

Tax Shelter Reporting Requirements – Currency Exchange Losses

Under United States Treasury regulations on tax shelter disclosure and list maintenance, taxpayers that enter into "reportable transactions" on or after 1st January, 2003, are required to file information returns. In the case of a corporation or a partnership whose partners are all corporations, a reportable transaction includes any transaction that generates, or reasonably can be expected to generate, a loss claimed under Section 165 of the Code (without taking into account any offsetting items) (a "**Section 165 Loss**") of at least U.S.$10 million in any one taxable year or U.S.$20 million in any combination of taxable years. In the case of any other partnership, a reportable transaction includes any transaction that generates, or reasonably can be expected to generate a Section 165 Loss of at least U.S.$2 million in any taxable year or U.S.$4 million in any combination of taxable years. In the case of an individual or trust, a reportable transaction includes any transaction that generates, or reasonably can be expected to generate, a Section 165 Loss of at least U.S.$50,000 in any one taxable year arising from a currency exchange loss (for further information, see "Disposition of Priority Notes by United States Holders - *Foreign Currency Considerations*" above). In determining whether a transaction results in a taxpayer claiming a loss that meets the threshold over a combination of taxable years, only losses claimed in the taxable year that the transaction is entered into and the five succeeding taxable years are combined. Accordingly, if a United States holder realises currency exchange losses on the Notes satisfying the monetary thresholds discussed above, such United States holder would have to file an information return. Prospective investors should consult their tax advisers regarding these information return requirements.

ERISA CONSIDERATIONS

The United States Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), imposes requirements on employee benefit plans (as defined in Section 3(3) of ERISA) subject to ERISA and on entities, such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (all of which are hereinafter referred to as "**ERISA Plans**"), and on persons who are fiduciaries (as defined in Section 3(21) of ERISA) with respect to such ERISA Plans. The Code also imposes certain requirements on ERISA Plans and on other retirement plans and arrangements, including individual retirement accounts and Keogh plans (such ERISA Plans and other plans and arrangements are hereinafter referred to as "**Plans**"). Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA), generally are not subject to the requirements of ERISA. Accordingly, assets of such plans may be invested in the Notes without regard to the ERISA prohibited transaction considerations described below, subject to the provisions of other applicable federal and state law.

Any discussion of United States federal tax issues set forth in this Prospectus is written in connection with the promotion and marketing by the Issuer and Managers of the transaction described in this Prospectus. Such discussion is not intended or written to be used, and cannot be used, by any person for the purpose of avoiding any United States federal income tax penalties that may be imposed on such person. Each investor should seek advice based on its particular circumstances fro an independent tax advisor.

Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification, requirements respecting delegation of investment authority and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. Each ERISA Plan fiduciary, before deciding to invest in the Notes, must be satisfied that investment in the Notes is a prudent investment for the ERISA Plan, that the investments of the ERISA Plan, including the investment in the Notes, are diversified so as to minimise the risk of large losses and that an investment in the Notes complies with the ERISA Plan and related trust documents.

Section 406 of ERISA and/or Section 4975 of the Code prohibits Plans from engaging in certain transactions with persons that are "parties in interest" under ERISA or "disqualified persons" under Section 4975 of the Code with respect to such Plans (collectively, "**Parties in Interest**"). The types of transactions between Plans and Parties in Interest that are prohibited include: (a) sales, exchanges or leases of property, (b) loans or other extensions of credit and (c) the furnishing of goods and services. Certain Parties in Interest that participate in a non-exempt prohibited transaction may be subject to an excise tax under ERISA or the Code. In addition, the persons involved in the prohibited transaction may have to rescind the transaction and pay an amount to the Plan for any losses realised by the Plan or profits realised by such persons and certain other liabilities could result that have a significant adverse effect on such persons.

Certain transactions involving the purchase, holding or transfer of the Notes might be deemed to constitute prohibited transactions under ERISA and Section 4975 of the Code if assets of the Issuer were deemed to be assets of a Plan. Under regulations issued by the United States Department of Labor, set forth in 29 C.F.R. § 2510.3-101 (the "**Plan Asset Regulations**"), the assets of the Issuer would be treated as plan assets of a Plan for the purposes of ERISA and Section 4975 of the Code only if the Plan acquires an equity interest in the Issuer and none of the exceptions contained in the Plan Asset Regulations is applicable. An equity interest is defined under the Plan Asset Regulations as an interest in an entity other than an instrument which is treated as indebtedness under applicable local law and which has no substantial equity features. Although there is no authority directly on point, it is anticipated that the Class A Notes and the Class B Notes should be treated as indebtedness under local law without any substantial equity features for purposes of the Plan Asset Regulations. By contrast, the Class C Notes and the Class D Notes may be treated as "equity interests" for purposes of the Plan Asset Regulations. Accordingly, the Class C Notes and the Class D Notes may not be purchased by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code.

However, without regard to whether the Class C Notes and the Class D Notes are treated as an equity interest for such purposes, the acquisition or holding of the Class A Notes and the Class B Notes by or on behalf of a Plan could be considered to give rise to a prohibited transaction under ERISA or Section 4975 of the Code if the Issuer, MS Bank, HRE Bank, the Managers, the Note Trustee or any of their respective affiliates is or becomes a Party in Interest with respect to such Plan. However, certain exemptions from the prohibited transaction rules could be applicable depending on the type and circumstances of the fiduciary making the decision to acquire the Class A Notes and the Class B Notes. Included among these exemptions are Prohibited

Transaction Class Exemption ("**PTCE**") 84-14, which exempts certain transactions effected on behalf of a Plan by a "qualified professional asset manager", PTCE 96-23, which exempts certain transactions effected on behalf of a Plan by an "in-house asset manager", PTCE 90-1, which exempts certain transactions between insurance company separate accounts and Parties in Interest, PTCE 91-38, which exempts certain transactions between bank collective investment funds and Parties in Interest and PTCE 95-60, which exempts certain transactions between insurance company general accounts and Parties in Interest (collectively, the "**Exemptions**"). Even if the conditions specified in one or more of the Exemptions are met, the scope of the relief provided by the Exemptions might or might not cover all acts which might be construed as prohibited transactions.

Nevertheless, even if an Exemption applies, a Plan generally should not purchase the Class A Notes or the Class B Notes if the Issuer, MS Bank, HRE Bank, the Managers, the Note Trustee, the Issuer Security Trustee, the Master Servicer, the Master Special Servicer, any Sub-Servicer, any Sub-Special Servicer, the Paying Agents, the Cash Manager, the Operating Bank, the Agent Bank, the Exchange Agent, any Loan Security Trustee, the Share Trustee, the Nominee Trustee, PECO Holder, the Registrar, the Issuer Swap Provider, the Issuer Swap Guarantor, the Liquidity Facility Provider, the Corporate Services Provider or any of their respective affiliates either (a) has investment discretion with respect to the investment of assets of such Plan; (b) has authority or responsibility to give or regularly gives investment advice with respect to assets of such Plan, for a fee, and pursuant to an agreement or understanding that such advice will serve as a primary basis for investment decisions with respect to such assets and that such advice will be based on the particular investment needs of such Plan; or (c) is an employer maintaining or contributing to such Plan. A party that is described in clause (a) or (b) of the preceding sentence is a fiduciary under ERISA with respect to the Plan and any such purchase might result in a "prohibited transaction" under ERISA or the Code.

An insurance company proposing to invest assets of its general account in the Notes should consider the extent to which such investment would be subject to ERISA and Section 4975 of the Code. On 5th January, 2000, the United States Department of Labor issued a final regulation which provides guidance for determining, in cases where insurance policies supported by an insurer's general account are issued to or for the benefit of a Plan on or before 31st December, 1998, which general account assets are plan assets. That regulation generally provides that, if certain specified requirements are satisfied with respect to insurance policies issued on or before 31st December, 1998, the assets of an insurance company general account will not be plan assets. Nevertheless, certain assets of an insurance company general account may be considered to be plan assets. Therefore, if an insurance company acquires Notes using assets of its general account, certain of the insurance company's assets may be plan assets and the provisions of ERISA and Section 4975 of the Code could apply to such acquisition and the subsequent holding of the Notes. An insurance company using assets of its general account may not acquire an interest in the Class C Notes or Class D Notes if any of such general account assets are considered to be plan assets.

The sale of any Class A Notes or Class B Notes to a Plan is in no respect a representation by the Issuer, MS Bank, HRE Bank, the Manager, the Note Trustee or the Issuer Security Trustee that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

Each purchaser of the Class A Notes or the Class B Notes, will be deemed to have represented and agreed that (i) either it is not purchasing such Notes with the assets of any Plan or that one of more exemptions applies such that the use of such assets will not constitute a prohibited transaction under ERISA or the Code, and (ii) with respect to transfers, it will either not transfer such Notes to a transferee purchasing such Notes with the assets of any Plan, or one or more exemptions applies such that the use of such assets will not constitute a prohibited transaction. The Class C Notes and the Class D Notes may not be purchased by or transferred to a Plan that is subject to the provisions of ERISA or Section 4975 of the Code. Any Plan fiduciary that proposes to cause a Plan to purchase such instruments should consult with its counsel with respect to the potential applicability of ERISA and the Code to such investment and whether any exemption or exemptions have been satisfied.

SUBSCRIPTION AND SALE

Morgan Stanley & Co. International Limited of 25 Cabot Square, Canary Wharf, London E14 4QA, Hypo Real Estate Bank International of 110 Cannon Street, London EC4N 6EW and Calyon of Broadwalk House, 5 Appold Street, London EC2A 2DA (together, the "**Managers**"), pursuant to a subscription agreement dated 25th July, 2005 (the "**Subscription Agreement**"), between the Managers, the Issuer, the Master Servicer, the MS Loan Originator and the HRE Loan Originator, agreed, jointly and severally, subject to certain conditions, to subscribe and pay for the Class A Notes at 100 per cent. of the principal amount of such Notes, the Class B Notes at 100 per cent. of the principal amount of such Notes, the Class C Notes at 100 per cent. of the principal amount of such Notes and the Class D Notes at 100 per cent. of the principal amount of such Notes.

The Issuer has agreed to reimburse the Managers for certain of their expenses in connection with the issue of the Notes. The Subscription Agreement is subject to a number of conditions and may be terminated by the Managers in certain circumstances prior to payment to the Issuer. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes.

United States of America

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other relevant jurisdiction and may not be offered, sold or delivered in the United States to, or for the account or benefit of, U.S. Persons except in transactions exempt from the registration requirements of the Securities Act. In addition, each investor in the Notes taking delivery in the form of an interest in a Rule 144A Global Note will be deemed to represent and warrant, among other things, that it and each of the accounts, if any, for which it is purchasing an interest in a Rule 144A Global Note is both a Qualified Institutional Buyer and a Qualified Purchaser and (A) is not a broker-dealer that owns and invests on a discretionary basis less than $25,000,000 in securities of issuers that are not affiliated persons of such person; (B) is not a plan referred to in paragraph (a)(1)(i)(D) or (a)(1)(i)(E) of Rule 144A, or a trust fund referred to in paragraph (a)(1)(i)(F) of Rule 144A that holds the assets of such plan, unless the investment decisions with respect to such plan are made solely by the fiduciary, trustee or sponsor of such plan; (C) is not a corporation, partnership, common trust fund, special trust, pension fund, retirement plan or other entity in which the shareholders, partners, beneficiaries, beneficial owners or participants, as the case may be, may designate the particular investments to be made by such entity or the allocation of any such investment to such shareholders, partners, beneficiaries, beneficial owners or participants are both Qualified Purchasers and Qualified Institutional Buyers; (D) is not an entity that was formed, reformed or recapitalised for the specific purpose of investing in beneficial interests in the Notes and/or in other securities of the Issuer, unless all of the beneficial owners of such entity's securities are both Qualified Purchasers and Qualified Institutional Buyers; (E) is not an investment company that relies on the exclusion from the definition of "investment company" provided by Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act and that was formed prior to 30th April, 1996, unless such entity has received the consent of its beneficial owners with respect to the treatment of such entity as a Qualified Purchaser in the manner required by Section 2(a)(51) of the Investment Company Act and the rules and regulations thereunder; or (F) is not an entity that, immediately subsequent to its purchase or other acquisition of a beneficial interest in the Notes, will have invested more than 40 per cent. of its assets in beneficial interests in the Notes and/or in other securities of the Issuer (unless all of the beneficial owners of such entity's securities are both Qualified Purchasers and Qualified Institutional Buyers). Terms used in this paragraph and not defined herein have the meaning given to them by Regulation S. The Notes are not transferable except in accordance with the restrictions described herein under "Transfer Restrictions".

Each of the Managers has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise after the expiration of the Distribution Compliance Period within the United States or to, or for the account or benefit of, U.S. Persons and, accordingly, that neither it, its affiliates nor any person acting on their behalf has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Notes and it and its affiliates and any person acting on its or their behalf has complied with and will comply with the offering restriction requirements of Regulation S under the Securities Act to the extent applicable and that it will have sent to each distributor, dealer or other person to which it sells Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. Persons. Terms used in this paragraph have the meanings given to them by Regulation S of the Securities Act.

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

Each of the Managers has represented and agreed with the Issuer that within the United States it will only sell the Notes to persons (including other dealers) who are both Qualified Institutional Buyers and Qualified Purchasers in the form of an interest in a Rule 144A Global Note that is set out in the Trust Deed. In addition, the Issuer will have represented and agreed with the Managers that, based on discussions with the Managers and other factors that the Issuer or their counsel may deem appropriate, the Issuer has a reasonable belief that initial sales and subsequent transfers of the Notes held through DTC to U.S. Persons will be limited to persons who are both Qualified Institutional Buyers and Qualified Purchasers.

Each of the Managers has agreed that, in connection with each sale to a Qualified Institutional Buyer that is also a Qualified Purchaser, it has taken or will take reasonable steps to ensure that the purchaser is aware that the Notes have not been and will not be registered under the Securities Act and that transfers of the Notes are restricted as set forth in the Trust Deed.

In addition, with respect to the Notes, an offer or sale of such Notes within the United States by a manager or placement agent that is not participating in the offering may violate the registration requirements of the Securities Act. Any offer or sale of Notes will be made by broker-dealers, including affiliates of the Managers, who are registered as broker-dealers under the Exchange Act. The Managers may allow a concession, not in excess of the selling concession, to certain brokers or dealers.

The Issuer and the Managers will extend to each prospective investor the opportunity, prior to the consummation of the sale of the Notes, to ask questions of, and receive answers from, the Issuer concerning the Notes and the terms and conditions of this offering and to obtain any additional information it may consider necessary in making an informed investment decision and any information in order to verify the accuracy of the information set forth herein, to the extent the Issuer and/or the Managers, as applicable, possesses the same. Requests for such additional information may be directed to the directors of the Issuer.

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

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

(a) in the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

(b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each of the Managers has represented and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Market Act 2000 ("**FSMA**") received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA, with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

General

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

Each of the Managers has undertaken not to offer or sell any of the Notes, or to distribute this document or any other material relating to the Notes, in or from any jurisdiction except under circumstances that will result in compliance with applicable law and regulations.

Attention is drawn to the information set out under "Important Notice" at page 2.

TRANSFER RESTRICTIONS

Because of the following restrictions, purchasers are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States or any other relevant jurisdiction and accordingly, may not be re-offered, resold, pledged or otherwise transferred except in accordance with the restrictions described below.

Each purchaser of an interest in the Notes (each initial purchaser of Notes, together with each subsequent transferee of Notes, is referred to herein as the "**Purchaser**") will be deemed to have acknowledged, represented and agreed as follows (terms used in this section that are defined in Rule 144A or Regulation S under the Securities Act are used herein as defined therein):

(1) Purchaser Requirements. The Purchaser (i) in the case of Rule 144A Global Notes (A) is both a Qualified Institutional Buyer and a Qualified Purchaser (B) is an Eligible Investor (as defined below), (C) will provide notice of applicable transfer restrictions to any subsequent transferee, and (D) is purchasing for its own account or for the accounts of one or more other persons each of whom meets all of the requirements of clauses (A) through (D), or (ii) in the case of Reg S Global Notes the Purchaser is not a U.S. person and is acquiring the Notes pursuant to Rule 903 or 904 of Regulation S.

"**Eligible Investors**" are defined for the purposes hereof as persons who are Qualified Institutional Buyers acting for their own account or for the account of other Qualified Institutional Buyers and excludes therefrom:

(1) Qualified Institutional Buyers that are broker dealers that own and invest on a discretionary basis less than $25 million in "securities" as such term is defined under Rule 144A,

(2) a partnership, common trust fund, special trust, pension fund, retirement plan or other entity in which the partners, beneficiaries or participants, as the case may be, may designate the particular investments to be made, or the allocation thereof,

(3) an entity that was formed, reformed or recapitalised for the specific purpose of investing in the Notes,

(4) any investment company excepted from the Investment Company Act pursuant to Section 3(c)(1) or Section 3(c)(7) thereof and formed prior to 30th April, 1996, that has not received the consent of its beneficial owners with respect to the treatment of such entity as a qualified purchaser in the manner required by Section 2(a)(51)(C) of the Investment Company Act and rules thereunder, and

(5) any entity that will have invested more than 40 per cent. of its assets in the securities of the Issuer subsequent to any purchase of the Notes.

The Purchaser acknowledges that each of the Issuer and the Note Trustee reserve the right prior to any sale or other transfer to require the delivery of such certifications, legal opinions and other information as the Issuer or the Note Trustee may reasonably require to confirm that the proposed sale or other transfer complies with the foregoing restrictions.

(2) Notice of Transfer Restrictions. Each Purchaser acknowledges and agrees that (1) the Notes have not been and will not be registered under the Securities Act and the Issuer has not been registered as an "investment company" under the Investment Company Act, (2) neither the Notes nor any beneficial interest therein may be re-offered, resold, pledged or otherwise transferred except in accordance with the provisions set forth above and (3) the Purchaser will notify any transferee of such transfer restrictions and that each subsequent holder will be required to notify any subsequent transferee of such Notes of such transfer restrictions.

(3) Legends on Rule 144A Global Note. Each Purchaser acknowledges that each Rule 144A Global Note will bear a legend substantially to the effect set forth below and that the Issuer has covenanted in the Trust Deed not to remove either such legend.

NEITHER THIS NOTE NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR ARE EXPECTED WILL BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE

"**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND THE ISSUER (AS DEFINED IN THE TRUST DEED) HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXCLUSION FROM THE DEFINITION OF "INVESTMENT COMPANY" PROVIDED BY SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, AS IT HAS BEEN DETERMINED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION STAFF TO APPLY IN THE CONTEXT OF SECTION 7(d) OF THE INVESTMENT COMPANY ACT.

BY PURCHASING OR OTHERWISE ACQUIRING A BENEFICIAL INTEREST IN THIS NOTE, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE REPRESENTED FOR THE BENEFIT OF THE ISSUER AND FOR ANY AGENT OR SELLER WITH RESPECT TO THE NOTES THAT IT (I)(A) IS BOTH A QUALIFIED INSTITUTIONAL BUYER AND A QUALIFIED PURCHASER, (B) IS AN "ELIGIBLE INVESTOR" (AS DEFINED BELOW), (C) WILL PROVIDE NOTICE OF APPLICABLE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, (D) IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNTS OF ONE OR MORE OTHER PERSONS EACH OF WHOM MEETS ALL THE PRECEDING REQUIREMENTS AND (E) AGREES THAT IT WILL NOT REOFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN TO ANY PERSON EXCEPT TO A PERSON THAT MEETS ALL THE PRECEDING REQUIREMENTS AND AGREES NOT TO SUBSEQUENTLY TRANSFER THE NOTES OR ANY BENEFICIAL INTEREST HEREIN EXCEPT IN ACCORDANCE WITH THIS CLAUSE (E) OR (II) IS NOT A U.S. PERSON AND IS ACQUIRING THE NOTES PURSUANT TO RULE 903 OR 904 OF REGULATION S. IN THE CASE OF ANY SUCH TRANSFER PURSUANT TO CLAUSE (II), (1) THE TRANSFEREE WILL BE REQUIRED TO HAVE THE NOTES SO TRANSFERRED TO BE REPRESENTED BY AN INTEREST IN THE REG S GLOBAL NOTE (AS DEFINED IN THE TRUST DEED).

"**ELIGIBLE INVESTORS**" ARE DEFINED FOR THE PURPOSES HEREOF AS PERSONS WHO ARE QUALIFIED INSTITUTIONAL BUYERS ACTING FOR THEIR OWN ACCOUNT OR FOR THE ACCOUNT OF OTHER QUALIFIED INSTITUTIONAL BUYERS AND EXCLUDES THEREFROM: (I) QUALIFIED INSTITUTIONAL BUYERS THAT ARE BROKER DEALERS THAT OWN AND INVEST ON A DISCRETIONARY BASIS LESS THAN $25 MILLION IN "SECURITIES" AS SUCH TERM IS DEFINED UNDER RULE 144A, (II) A PARTNERSHIP, COMMON TRUST FUND, SPECIAL TRUST, PENSION FUND, RETIREMENT PLAN OR OTHER ENTITY IN WHICH THE PARTNERS, BENEFICIARIES OR PARTICIPANTS, AS THE CASE MAY BE, MAY DESIGNATE THE PARTICULAR INVESTMENTS TO BE MADE OR THE ALLOCATION THEREOF, (III) AN ENTITY THAT WAS FORMED, REFORMED OR RECAPITALISED FOR THE SPECIFIC PURPOSE OF INVESTING IN THE NOTES, (IV) ANY INVESTMENT COMPANY EXCEPTED FROM THE INVESTMENT COMPANY ACT PURSUANT TO SECTION 3(C)(1) OR SECTION 3(C)(7) THEREOF AND FORMED PRIOR TO 30TH APRIL, 1996, THAT HAS NOT RECEIVED THE CONSENT OF ITS BENEFICIAL OWNERS WITH RESPECT TO THE TREATMENT OF SUCH ENTITY AS A QUALIFIED PURCHASER IN THE MANNER REQUIRED BY SECTION 2(A)(51)(C) OF THE INVESTMENT COMPANY ACT AND RULES THEREUNDER AND (V) ANY ENTITY THAT WILL HAVE INVESTED MORE THAN 40 PER CENT. OF ITS ASSETS IN THE SECURITIES OF THE ISSUER SUBSEQUENT TO ANY PURCHASE OF THE NOTES.

THE PURCHASER ACKNOWLEDGES THAT EACH OF THE ISSUER AND THE NOTE TRUSTEE RESERVES THE RIGHT PRIOR TO ANY SALE OR OTHER TRANSFER TO REQUIRE THE DELIVERY OF SUCH CERTIFICATIONS, LEGAL OPINIONS AND OTHER INFORMATION AS THE ISSUER OR THE NOTE TRUSTEE MAY REASONABLY REQUIRE TO CONFIRM THAT THE PROPOSED SALE OR OTHER TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS. EACH HOLDER OF A BENEFICIAL INTEREST IN THIS GLOBAL NOTE ACKNOWLEDGES THAT (I) THE ISSUER OR A PERSON ACTING ON BEHALF OF THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS FROM THE DEPOSITORY TRUST COMPANY ("**DTC**") OR ANY OTHER DEPOSITARY HOLDING BENEFICIAL INTERESTS IN THE NOTES AND (II) IN THE EVENT THAT AT ANY TIME THE ISSUER DETERMINES OR IS NOTIFIED BY A PERSON ACTING ON BEHALF OF THE ISSUER THAT SUCH PURCHASER WAS IN BREACH, AT THE TIME GIVEN OR DEEMED TO BE GIVEN, OF ANY OF THE REPRESENTATIONS OR AGREEMENTS SET FORTH IN THIS LEGEND OR OTHERWISE DETERMINES THAT ANY TRANSFER OR OTHER DISPOSITION OF ANY NOTES WOULD, IN THE

SOLE DETERMINATION OF THE ISSUER OR A PERSON ACTING ON ITS BEHALF, REQUIRE THE ISSUER TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE PROVISIONS OF THE INVESTMENT COMPANY ACT, SUCH PURCHASE OR OTHER TRANSFER WILL BE VOID AB INITIO AND WILL NOT BE HONOURED BY THE NOTE TRUSTEE. ACCORDINGLY, ANY SUCH PURPORTED TRANSFEREE OR OTHER HOLDER WILL NOT BE ENTITLED TO ANY RIGHTS AS A NOTEHOLDER AND THE ISSUER SHALL HAVE THE RIGHT, IN ACCORDANCE WITH THE CONDITIONS OF THE NOTES, TO FORCE THE TRANSFER OF, OR REDEEM, ANY SUCH NOTES.

EACH PURCHASER OF THIS NOTE OR ANY INTEREST THEREIN, BY ITS ACQUISITION OF SUCH NOTE, REPRESENTS AND WARRANTS THAT EITHER (A) IT IS NOT A BENEFIT PLAN AS DEFINED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**") WHICH IS SUBJECT THERETO (A "**BENEFIT PLAN**"), OR ANY PLAN AS DEFINED IN SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "**CODE**") WHICH IS SUBJECT THERETO (A "**PLAN**"), AN ENTITY USING THE ASSETS OR ACTING ON BEHALF OF SUCH A BENEFIT PLAN OR A PLAN, OR AN ENTITY WHOSE UNDERLYING ASSETS ARE DEEMED TO INCLUDE PLAN ASSETS OF ANY SUCH BENEFIT PLAN OR PLAN OR (B) THE PURCHASER IS ACQUIRING CLASS A NOTES OR CLASS B NOTES AND THE ACQUISITION AND HOLDING OF SUCH NOTES IS EXEMPT PURSUANT TO ONE OR MORE OF THE FOLLOWING PROHIBITED TRANSACTION EXEMPTIONS ISSUED BY THE UNITED STATES DEPARTMENT OF LABOR ("**DOL**"): PROHIBITED TRANSACTION CLASS EXEMPTION ("**PTCE**") 96-23 (RELATING TO TRANSACTIONS DETERMINED BY "IN-HOUSE ASSET MANAGERS"), PTCE 95-60 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY GENERAL ACCOUNTS), PTCE 91-38 (RELATING TO TRANSACTIONS INVOLVING BANK COLLECTIVE INVESTMENT FUNDS), PTCE 90-1 (RELATING TO TRANSACTIONS INVOLVING INSURANCE COMPANY POOLED SEPARATE ACCOUNTS) OR PTCE 84-14 (RELATING TO TRANSACTIONS DETERMINED BY INDEPENDENT "QUALIFIED PROFESSIONAL ASSET MANAGERS") OR ANY OTHER PROHIBITED TRANSACTION EXEMPTION ISSUED BY THE DOL. ANY ATTEMPTED TRANSFER OF SUCH NOTE OR ANY INTEREST THEREIN IN VIOLATION OF SUCH REPRESENTATION AND WARRANTY SHALL BE VOID AB INITIO.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT THE SELLERS OF THE NOTES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A. TERMS WHICH ARE USED IN THIS LEGEND HAVE THE MEANINGS GIVEN TO THEM UNDER SUCH RULE.

(4) Rule 144A Information. Each Purchaser of Notes offered and sold in the United States under Rule 144A is hereby notified that the offer and sale of such Notes to it is being made in reliance upon the exemption from the registration requirements of the Securities Act provided by Rule 144A. The Issuer has agreed to furnish to investors upon request such information as may be required by Rule 144A.

(5) Legends on Reg S Global Note. Each Purchaser acknowledges that each Reg S Global Note will bear a legend substantially to the effect set forth below and that the Issuer has covenanted in the Trust Deed not to remove either such legend.

NEITHER THIS NOTE NOR BENEFICIAL INTERESTS HEREIN HAVE BEEN OR ARE EXPECTED TO BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR THE SECURITIES LAWS OF ANY OTHER JURISDICTION, AND THE ISSUER (AS DEFINED IN THE TRUST DEED) HAS NOT REGISTERED AND DOES NOT INTEND TO REGISTER AS AN INVESTMENT COMPANY UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "**INVESTMENT COMPANY ACT**"), IN RELIANCE ON THE EXCLUSION FROM THE DEFINITION OF "INVESTMENT COMPANY" PROVIDED BY SECTION 3(c)(7) OF THE INVESTMENT COMPANY ACT, AS IT HAS BEEN DETERMINED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION STAFF TO APPLY IN THE CONTEXT OF SECTION 7(d) OF THE INVESTMENT COMPANY ACT.

BY PURCHASING OR OTHERWISE ACQUIRING ANY BENEFICIAL INTEREST IN THIS NOTE, EACH OWNER OF SUCH BENEFICIAL INTEREST WILL BE DEEMED TO HAVE AGREED FOR THE BENEFIT OF THE ISSUER THAT IF IT SHOULD DECIDE TO DISPOSE OF THE NOTES REPRESENTED BY THIS GLOBAL NOTE PRIOR TO THE TERMINATION OF THE DISTRIBUTION

COMPLIANCE PERIOD (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), BENEFICIAL INTERESTS IN THIS GLOBAL NOTE MAY BE OFFERED, RESOLD OR OTHERWISE TRANSFERRED ONLY IN COMPLIANCE WITH THE SECURITIES ACT AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE ISSUER TO REGISTER AS AN "INVESTMENT COMPANY" UNDER THE INVESTMENT COMPANY ACT. ACCORDINGLY, ANY TRANSFERS OF THIS NOTE MAY ONLY BE OFFERED OR SOLD PRIOR TO THE TERMINATION OF THE DISTRIBUTION COMPLIANCE PERIOD, OUTSIDE THE UNITED STATES OF AMERICA TO A NON-U.S. PERSON IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 903 OR 904 OF REGULATION S UNDER THE SECURITIES ACT.

(6) Mandatory Transfer/Redemption. Each Purchaser acknowledges and agrees that in the event that at any time the Issuer determines (or is notified by a person acting on behalf of the Issuer) that such Purchaser was in breach, at the time given or deemed to be given, of any of the representations or agreements set forth above or otherwise determines that any transfer or other disposition of any Notes would, in the sole determination of the Issuer or the Note Trustee acting on behalf of the Issuer, require the Issuer to register as an "investment company" under the provisions of the Investment Company Act, such purchase or other transfer will be void ab initio and will not be honoured by the Note Trustee. Accordingly, any such purported transferee or other holder will not be entitled to any rights as a Noteholder and the Issuer shall have the right to force the transfer of, or redeem, any such Notes.

(7) Regulation S Transfers during the Distribution Compliance Period. The purchaser of a Reg S Global Note understands that prior to the first Business Day following the expiration of the Distribution Compliance Period, any resale or transfer of beneficial interests in a Reg S Global Note to U.S. persons (as defined in Regulation S) shall not be permitted.

CD-ROM DISCLAIMER

The CD-ROM distributed contemporaneously with this Prospectus contains a summary, in PDF format, of each report compiled for the purposes of ascertaining the Origination Valuation in respect of each Property prior to advancing any amounts under the relevant MS Loan or the Lloyds Building Loan (each an "**Origination Valuation Report**"). Prospective investors should be aware that each Origination Valuation Report on which the relevant summary is based were prepared prior to the date of this Prospectus. None of the firms that produced the relevant Origination Valuation Report has been requested to update or revise any of the information contained in the Origination Valuation Report nor to review, update or comment on the information contained in the summaries provided in the enclosed CD-ROM, nor shall they be requested to do so prior to the issue of the Notes. Accordingly, the information included in each Origination Valuation Report and, therefore, the summaries contained in the enclosed CD-ROM, may not reflect the current physical, economic, competitive, market and other conditions with respect to the Properties. The information contained in the CD-ROM does not appear in paper form in this Prospectus and must be considered together with all of the information contained in this Prospectus, including without limitation, the statements made in the section entitled "Risk Factors - Valuations" at page 39. **All of the information contained in the CD-ROM is subject to the same limitations, qualifications and restrictions contained in this Prospectus. Prospective investors are strongly urged to read this Prospectus in its entirety prior to accessing the CD-ROM**. If the CD-ROM was not received in a sealed package, there can be no assurance that it remains in its original format and should not be relied upon for any purpose.

The information contained in the CD-Rom in relation to the Lloyds Building Loan is for information purposes only and may not be relied upon by any person other than the HRE Loan Originator.

The information contained in the CD-ROM does not form part of the information provided for the purposes of this Prospectus.

All information contained in the CD-ROM is confidential and must be treated as such by any person into whose possession it comes.

GENERAL INFORMATION

1. The issue of the Notes was authorised by resolution of the board of directors of the Issuer passed on ●, 2005.

2. It is expected that listing of the Notes on the Official List of the Irish Stock Exchange will be granted on or about 29 July, 2005, subject only to the issue of the Global Notes. The listing of the Notes will be cancelled if the Global Notes are not issued. Transactions will normally be effected for settlement in sterling and for delivery on the third working day after the day of the transaction. In December 2004, Directive 2004/109/EC (the "**Transparency Directive**") was formally adopted. The Transparency Directive relates to information about the issuers whose securities are admitted to trading on a regulated market in the European Union ("**EU**") such as the Irish Stock Exchange. The Transparency Directive is required to be implemented in EU member states by 20th January, 2007. Should the Transparency Directive impose requirements on the Issuer that it in good faith determines are unduly burdensome, the Issuer may de-list the Notes in accordance with the rules of the Regulated Market of the Irish Stock Exchange. The Issuer will use its best endeavours to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system or market outside the EU (or on an alternative non-regulated market in the EU) and outside the United States, as it may decide, in any case such that the Transparency Directive would not apply to the Issuer. If such an alternative admission is not available to the Issuer or is, in the Issuer's good faith opinion, unduly burdensome, an alternative admission may not be obtained.

   Although no assurance is made as to the liquidity of the Notes as a result of the listing on the Irish Stock Exchange, de-listing the Notes from the Irish Stock Exchange may have a material effect on the ability to resell the Notes in the secondary market.

3. The Notes have been accepted for clearance through DTC, Euroclear and Clearstream, Luxembourg as follows:

Class	Common Code (for Reg S Notes)	ISIN (for Reg S Notes)	CUSIP (for Rule 144A Notes)	Common Code (for Rule 144A Notes)	ISIN (for Rule 144A Notes)
A	022554930	XS0225549301	29879CAA8	022555057	US29879CAA80
B	022554956	XS0225549566	29879CAB6	022555090	US29870CAB63
C	022554972	XS0225549723	29879CAC4	022555138	US29879CAC47
D	022555014	XS0225550143	29879CAD2	022555146	US29879CAD20

4. No statutory or non-statutory accounts in respect of any financial year of the Issuer have been prepared. So long as the Notes are listed on the Official List of the Irish Stock Exchange, the most recently published audited annual accounts of the Issuer from time to time will be available at the specified offices of the Sub-Paying Agent in Dublin. The Issuer does not publish interim accounts.

5. The Issuer is not, and has not been, involved in any legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have, or have had, since the date of its incorporation, a significant effect on the Issuer's financial position.

6. Since the date of its incorporation, the Issuer has entered into the Subscription Agreement being a contract entered into other than in its ordinary course of business.

7. Save as disclosed herein, since 27th June, 2005 (being the date of incorporation of the Issuer), there has been (i) no material adverse change in the financial position or prospects of the Issuer and (ii) no significant change in the trading or financial position of the Issuer.

8. Copies of the following documents may be inspected during usual business hours on any week day (excluding Saturdays, Sundays, and public holidays) at the offices of the Issuer at 7th Floor, Phoenix House, 18 King William Street, London EC4N 7HE and at the specified offices of the Sub-Paying Agent in Dublin during the period of 14 days from the date of this document:

   (i) the Memorandum and Articles of Association of the Issuer;

   (ii) the Subscription Agreement referred to in paragraph 6 above; and

(iii) drafts (subject to modification) of the following documents:

(a) the Trust Deed;

(b) the MS Loan Sale Agreement;

(c) the HRE Loan Sale Agreement;

(d) the Deed of Charge and Assignment;

(e) the Share Declaration of Trust;

(f) the Nominee Declaration of Trust;

(g) the Master Servicing Agreement;

(h) the Cash Management Agreement;

(i) the Issuer Swap Agreement, the Issuer Swap Agreement Credit Support Document and the Issuer Swap Guarantee;

(j) the Corporate Services Agreement;

(k) the Liquidity Facility Agreement;

(l) the Exchange Rate Agency Agreement;

(m) the Agency Agreement;

(n) the Post-Enforcement Call Option Agreement; and

(o) the Master Definitions Schedule.

APPENDIX 1
PART A: THE FIRST PRINCIPAL BORROWER

The First Principal Borrower

The First Principal Borrower, One Lime Street GmbH & Co. KG, was registered in the commercial register of the local court of Düsseldorf, Germany on 9th December, 2004 (registered number HRA 17778) as a limited liability partnership under the German Commercial Code (*Handelsgesetzbuch*). The registered office of the partnership is in Düsseldorf.

Principal Activities

Pursuant to Article 2 of its partnership agreement dated 14th January, 2005, the principal business of the First Principal Borrower is the acquisition, renting, operation and alienation of the Lloyds Building, 1 Lime Street, London EC3M 7DQ (the "**Lloyds Building**") The First Principal Borrower was set up specifically for the purpose of acquiring the Lloyds Building.

Partner with Unlimited Liability

The partner with unlimited liability of the First Principal Borrower is as follows:

Name	**Business Address**
MOLRISTA Vermietungsgesellschaft MbH	Düsseldorf HRB 50237

APPENDIX 1
PART B: THE SECOND PRINCIPAL BORROWER

The Second Principal Borrower

The Second Principal Borrower is St. Enoch Trustee Company Limited (the "**St. Enoch Trustee**") acting in its capacity as trustee of the St. Enoch Centre Unit Trust (the "**St. Enoch Unit Trust**").

St. Enoch Trustee is a company incorporated in Jersey with registered number 89053. Its registered office is at 22 Grenville Street, Jersey JE4 8PX.

The St. Enoch Unit Trust was established as a unit trust pursuant to Article 7(3) of the Trusts (Jersey) Law 1984 (as amended) and is governed by the terms of a trust instrument dated 17th December, 2004 (as amended by a supplemental trust instrument dated 31st January, 2005) (the "**Trust Instrument**").

St. Enoch Trustee holds the assets of The St. Enoch Unit Trust on trust for the benefit of the unit holders of The St. Enoch Unit Trust.

Principal Activities

The St. Enoch Unit Trust was established for the purpose of investing in the Initial Portfolio, being the St. Enoch Shopping Centre in Glasgow and other direct and indirect interests in real property upon the terms of the Trust Instrument.

Unitholders of the St. Enoch Unit Trust

The units in the St. Enoch Unit Trust are held by:

4259050 Canada Inc. (registered in Canada number 4259050) whose principal office is at 95 Wellington Street West, Suite 600, Ontario, Canada M5J 2R2; and

St. Enoch, L.L.C (registered in Delaware number 3889471) whose registered office is at 1300 Wilson Boulevard Suite, 400 Arlington, Virginia 22209 USA.

Officers of St. Enoch Trustee

The directors of St. Enoch Trustee are:

John Comery;
Lawrence Siegel;
Paul Chehab; and
Thomas Frost.

The secretary of St. Enoch Trustee is Mourant & Co Secretaries Limited.

APPENDIX 2
INDEX OF PRINCIPAL DEFINED TERMS

$ 4
£ 4
1907 Act 44, 62
1994 Order 44
Accrued Interest Drawings 12
Accrued Interest Shortfall 137
Administrative Cost Factor 17
Administrative Cost Rate 17
Administrative Fees 17
Admiral Portfolio Loan 71
Agency Agreement 13, 148
Agent Bank 13, 148
Agents 148
Aggregate Cut-Off Date Balance 7
Amortisation Funds 26, 157
Appraisal Reduction 138
Assignation of Rents 15
Authorised Entity 133
Available Amortisation Funds 157
Available Final Redemption Funds 157
Available Interest Receipts 28
Available Prepayment Redemption Funds 157
Available Principal 31, 156
Available Principal Recovery Funds 157
Basel Committee 53
Basis Swap Transactions 8
Benefit Plan 192
Borrower 7
Borrower Interest Receipts 26
Business Day 154
CAD 3 53
Calculation Date 156
Cash Management Agreement 13
Cash Manager 13
CFC 182
Class A Noteholders 19, 150
Class A Notes 148
Class B Noteholders 19, 150
Class B Notes 1, 148
Class C Noteholders 19, 150
Class C Notes 1, 148
Class D Noteholders 19, 150
Class D Notes 1, 148
class of Notes 148
Class X Amount 16
Class X Certificate Holders 17
Class X Certificates 17
Class X Weighted Average Strip Rate 16
Clearing Systems 18, 143, 149
Clearstream 149
Clearstream, Luxembourg 18, 143
Closing Date 1
COBO 62
Code 177
CODE 3, 192
Collection Period 157
Common Depositary 18, 143, 149
Condition 148
Conditions 148
Controlling Party 153
Corporate Services Agreement 12
Corporate Services Provider 12
Corrected Loan 126
Covenants Act 46
Credit Agreement 67
Custodian 18, 149
Cut-Off Date 7, 86
Debenture 15
Debentures 15
Declaration of Trust 14
Deed of Charge and Assignment 148
Deferred Consideration 79
Definitive Note 19, 147
Definitive Notes 150
Deposit Account 83
Deutsche Bank 7
Distinct Tenants 86
Distribution Compliance Period 19
Dividend Trap Interest Cover Percentage 71
DOL 192
dollars 4
DSCR 86
DTC 18, 143, 149
Eligible Investments 131
Eligible Investors 190, 191
Eligible Noteholders 164
Enforcement Notice 165
Enforcement Procedures 124
Enterprise Act 42
Environment Agency Building Loan 71
ERISA 3, 185, 192
ERISA Plans 185
Escrow Account 83
Escrow Accounts 83
EU 53, 195
EU Insolvency Regulation 62
Euroclear 18, 143, 149
Event of Default 164
exceptions 42
Exchange Act 143, 173
Exchange Agent 13, 148
Exchange Rate Agency Agreement 13, 147, 148
Exchange Rate Agent 147
Exemptions 186
Expenses Drawings 12
Expenses Shortfall 137
External Legal Advisers 65
Extraordinary Resolution 168
Final Redemption Funds 26, 157
First Principal Borrower 63
Fitch 1, 171
FSMA 189

General Account 83
Global Notes 18, 143, 149
Grays Loan Borrower 62
Grays Shopping Centre Loan 71
Gross Rental Income 86
Halton Lea Shopping Centre Loan 71
Holder 149
HRE Bank 7, 57
HRE Loan Hedge Guarantor 75
HRE Loan Hedge Provider 75
HRE Loan Hedge Transaction 75
HRE Loan Originator 7
HRE Loan Related Security 10
HRE Loan Sale Agreement 9
HRE Loan Security 10
HRE Loan Security Trustee 10
HRE Loan Sub-Servicer 11
HRE Loan Sub-Servicing Agreement 11
HRE Loan Sub-Special Servicer 11
HRE Loans 7
IA 2000 43
ICR 86
IFRS 53
IFSRA 1
Indirect Participants 144
Intended U.S. Tax Treatment 172
Intercreditor Agreement 76
Interest Amount 155
Interest Determination Date 154
Interest Drawings 12
Interest Ledger 132
Interest Payment Date 1, 154
Interest Period 71, 154
Interest Rate Swap Transactions 8
Interest Residual Amount 171
Interest Shortfall 137
intimation 45
Investment Company Act 1, 191, 192
Irish Stock Exchange 155
IRS 177
ISDA 11
Issuer 1, 148
Issuer Accounts 85
Issuer Interest Receipts 26
Issuer Principal Receipts 156
Issuer Profit Amount 30
Issuer Security 24
Issuer Security Trustee 10, 148
Issuer Swap Agreement 11
Issuer Swap Agreement Credit Support Document 140
Issuer Swap Guarantee 12
Issuer Swap Guarantor 8, 12, 59
Issuer Swap Provider 8, 11
Issuer Swap Transactions 8
Ivanhoe 95
Junior Debt 76
Junior Lender 76
LDAA 39
Lending Criteria 64
LIBOR 1, 20
Liquidation Fee 128
Liquidity Drawings 137
Liquidity Facility 136
Liquidity Facility Agreement 7
Liquidity Facility Deficiency 137
Liquidity Facility Provider 7
Liquidity Ledger 132
Liquidity Subordinated Amounts 31
Lloyds Building 197
Loan Balance 86
Loan Documentation 68
Loan Payment Date 69
Loan Pool 7
Loan Security Trustees 10
Loans 7
LPA Receiver 42
LTV Ratio 14
Luxembourg 149
Managers 187
Managing Agent 83
Market Valuation 86
Master Definitions Schedule 148
Master Servicer 11
Master Servicing Agreement 11
Master Servicing Fee 128
Master Special Servicer 11
Material Senior Default 76
Maturity Date 1
MICP 71
Mills 95
Money Centre Loan 71
Morgan Stanley 57
Mortgage 7
Mortgagor 15
MS Bank 57
MS Loan Originator 7
MS Loan Related Security 9
MS Loan Sale Agreement 9
MS Loan Security Trust 9
MS Loan Security Trustee 9
MS Loans 7
MSCS 58
MSMS 9, 58
NAI Amount 21
NAI Shortfall Amount 21
Net Mortgage Rate 17
Net Rental Income 86
New Basel Capital Accord 53
new UK GAAP 53
Nominee Declaration of Trust 14
Nominee Trustee 14, 56
Normandy House Loan 71
Note Principal Payment 161
Note Trustee 10, 148
Noteholders 19
Notes 1, 148
Occupational Lease 86
OID 178
Operating Adviser 126, 153

Operating Bank 13
Origination Valuation Report 194
Origination Valuations 14
Originators 7
Owner 172
Participants 144
Parties in Interest 185
Partnership 61
Partnership Agreement 61
Partnership Deeds 62
Partnership Lenders 63
Partnership Managers 61
Paying Agents 13, 148
PECO Holder 14, 167
PFIC 181
PLAN 192
Plan Asset Regulations 185
Plans 185
Pool Factor 161
Post Enforcement Call Option 20
Post Enforcement Call Option Agreement 20
Post-Enforcement Call Option 167
Potential Event of Default 58
pounds 4
pounds sterling 4
Preliminary Pool Factor Report 132
Prepayment Assumption 178
Prepayment Fee Ledger 132
Prepayment Fees 26
Prepayment Redemption Funds 26, 157
Principal Amount Outstanding 161
Principal Ledger 132
Principal Paying Agent 13, 148
Principal Priority Amounts 27
Principal Recovery Funds 26, 157
Priority Amounts 27
Projected Finance Costs 71
Projected Net Rental Income 71
Property 7
Prospectus 2
Prospectus Directive 1, 2, 189
PTCE 186, 192
Purchaser 190
QEF 181
Qualified Institutional Buyers 1, 149
Qualified Purchasers 1, 149
Quarterly Report 132
Rate of Interest 154
rating 49
Rating Agencies 1, 171
ratings 49
Recharacterised Note 180
Record Date 163
Reference Banks 156
Reg S 149
Reg S Global Note 18, 143
Reg S Global Notes 18, 149
Reg S Notes 18
Register 149
Registrar 13, 148
Regulation S 1
Reimbursement Rate 129
related Collection Period 28
Related Security 10
relevant date 164
Relevant Implementation Date 188
Relevant Margin 20, 155
Relevant Member State 188
Rent Account 83
Rental Income 45
Reporting Agent 13
Requisite Rating 85
Restructuring Fee 129
Retention Account 83
Revenue Priority Amounts 27
Rule 144A 1, 149
Rule 144A Global Note 18
Rule 144A Global Notes 18, 149
Rule 144A Notes 18
Rules 144A Global Note 143
S&P 1, 171
Sales Account 83
Sales Accounts 83
Scheduled Interest Receipts 137
Screen Rate 154
SEC 3
Second Principal Borrower 63
Section 165 Loss 184
Secured Parties 8, 24
Securities Act 1, 143, 149, 191, 192
Security Trusts 10
Senior Debt 76
Senior Lender 76
Senior Tranche 7
Sequential Redemption Event 33, 158
Servicing Fee 128
Servicing Standard 122
Servicing Transfer Event 126
Share Trust 14
Share Trustee 14, 56
Shortfall Loan 137
Society 37
SPE 40
Special Servicing Fee 128
St. Enoch Agency Agreement 124
St. Enoch Facility Agent 124
St. Enoch Loan Related Security 10
St. Enoch Loan Security Trust 10
St. Enoch Loan Security Trustee 10
St. Enoch Trustee 198
St. Enoch Unit Trust 62, 198
Standard Conditions 74
Standard Security 73
Stand-by Account 85
Stand-by Drawing 138
sterling 4
Subordinated Lender 74
Sub-Paying Agent 13, 148
Subscription Agreement 187
Sub-Servicer Enforcement Procedures 124

Substitute Property 78
Swap Breakage Receipts 26
Swap Breakage Receipts Ledger 132
Swap Collateral Cash Account 84
Swap Collateral Custody Account 84
Swap Tax Event 140, 161
Target Redemption Amount 32, 158
Tranched Loan 7
Tranching Account 84
Transaction Account 84
Transfer Regulations 149
Transparency Directive 23, 53, 195
Trust Deed 10, 148
Trust Instrument 198
U.S. dollars 4
U.S. Person 18, 144, 150
U.S. shareholder 181
U.S.$ 4
UK 4
United States 149
WAM 178
Weighted Average Cut-Off Date LTV/Cut-Off Date ICR/Cut-Off Date DSCR/Balloon LTV 86
Weighted Average Net Mortgage Rate 16
Weighted Average Unexpired Lease/Loan Terms 86
Wilkinson Lease 71
Work-out Fee 128

REGISTERED AND HEAD OFFICE OF THE ISSUER
7th Floor, Phoenix House
18 King William Street
London EC4N 7HE

NOTE TRUSTEE AND ISSUER SECURITY TRUSTEE
Capita Trust Company Limited
7th Floor, Phoenix House
18 King William Street
London EC4N 7HE

MASTER SERVICER
Morgan Stanley Mortgage Servicing Limited
25 Cabot Square
Canary Wharf
London E14 4QA

LEGAL ADVISERS

To the Managers
As to English and New York Law:
Sidley Austin Brown & Wood
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

To the Issuer
As to English Law:
Denton Wilde Sapte
1 Fleet Place
London EC4M 7WS

To the Managers
As to Scots Law:
Tods Murray LLP
Edinburgh Quay
133 Fountainbridge
Edinburgh EH3 9AG

To the Note Trustee and the Issuer Security Trustee
As to English Law:
Sidley Austin Brown & Wood
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

To the Managers
As to Irish Law:
A&L Goodbody Solicitors
IFSC
North Wall Quay
Dublin 1

PRINCIPAL PAYING AGENT, AGENT BANK, OPERATING BANK AND EXCHANGE AGENT
The Bank of New York
48th Floor, One Canada Square
London E14 5AL

SUB-PAYING AGENT

AIB/BNY Fund Management (Ireland) Ltd.
Guild House
Guild Street
IFSC, Dublin 1

CASH MANAGER AND REPORTING AGENT
Wells Fargo Securitisation Services Limited
6-8 Underwood Street
London N1 7JQ

REGISTRAR
The Bank of New York
101 Barclay Street
New York
NY 10286

LISTING AGENT
A&L Listing Limited
25-28 North Wall Quay
International Financial Services Centre,
Dublin 1